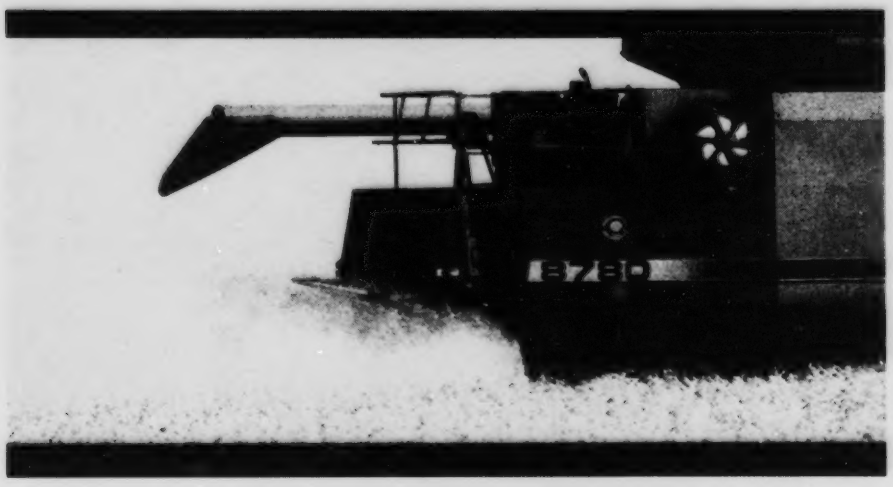
Alberta Agriculture, Food and Rural Development

Annual Report



1999 - 2000

Alberta
AGRICULTURE, FOOD AND
RURAL DEVELOPMENT

100-07550/

Preface

Public Accounts 1999-2000

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 18 Ministries.

The annual report of the Government of Alberta released in June contains the Provincial Treasurer's accountability statement, the consolidated financial statements of the Province and a comparison of the actual performance results to desired results set out in the government's business plan, including the *Measuring Up* report.

This annual report of the Ministry of Agriculture, Food and Rural Development contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the Ministry's business plan. This Ministry annual report also includes:

- ***the financial statements of entities making up the Ministry, including the Department of Agriculture, Food and Rural Development, regulated funds and provincial agencies for which the Minister is responsible.***
- ***other financial information as required by the Financial Administration Act and Government Accountability Act, either as separate reports or as part of financial statements, to the extent that the Ministry has anything to report.***

Table of Contents

Section 1

Preface i

Table of Contents iii

Minister's Accountability Statement 1

Message from the Minister 3
- A look back 3
- A look forward 4

Management's Responsibility for Reporting 5

Overview 7
- Chart of Ministry Entities 7
- Entities – Ministry of Agriculture, Food and Rural Development 9
  - Department 9
  - Agencies, Boards and Commissions 13
  - Funds 15
- Operational Overview 15
- Highlights – Financial and Performance Measures 17
- Significant Events Affecting the Agriculture and Food Industries in Alberta 19

Results Analysis 23
- Ministry Goals 23
- Ministry Measures 47
- Discussion of Results and Performance 56

Financial Information 63
- Financial Statements 63
  - Ministry of Agriculture, Food and Rural Development 64

Section

2

Financial Information 85

- Financial Statements 86
  - Department of Agriculture, Food and Rural Development 86
- Agencies/Funds 110
  - Agriculture Financial Services Corporation 110
  - Alberta Opportunity Company 134
  - Alberta Dairy Control Board 145
  - Crop Reinsurance Fund of Alberta 156

Other Information 160

- Summary of Financial Information 160
- Government Organization Changes 161
- Index of Government Agencies, Funds and Reporting Entities 163
- Acts Alberta Agriculture, Food and Rural Development is Responsible for 168
- Agricultural Statistics for Alberta 169

Section 1

Minister's Accountability Statement

The Ministry's annual report for the year ended March 31, 2000, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at September 7, 2000, with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

Ty Lund

Ty Lund

Minister of Agriculture, Food
and Rural Development

September 7, 2000

Section 1

Message from the Minister

It is now over a year since I became the Minister of Agriculture, Food and Rural Development. In this time, I have enjoyed tackling the issues affecting all aspects of the agriculture and food industries.

Taking on and learning about these issues has meant a lot of listening. So I have concentrated on spending a great deal of time hearing from the people who live and work in the agriculture and food industries every day. This enables me to take action on their behalf, knowing full well that I listened and responded to their concerns.

A look back

What I have been hearing is that it was a tough year for many producers. A number of commodity prices took a tumble. Some farmers experienced the fourth or fifth dry growing season in a row. Others dealt with the uncertainty of potential trade action from south of the border.

Low farm incomes affected many producers in all areas of the province. As a result, the Ministry moved to enhance the existing farm income support programs and to develop others, such as the Farm Income Assistance Program, to address this problem. Farm income support payments should total over $300 million for fiscal 1999-2000. The crop insurance program will also be reviewed, so I can be sure it will continue to meet producer needs into the future.

Despite the production challenges, Alberta agriculture and food industries continue to be aggressive. For the first time in history, valued added product exports exceeded primary goods exports from Alberta in 1999. The value of Alberta's shipments from the food and beverage industries increased over $266 million from 1998 to 1999 to $7.8 billion. And a new record was set in farm cash receipts from livestock in 1999, up to $3.98 billion. These receipts were up by nearly 10 per cent over 1998.

These successes came in spite of trade irritants and disputes. Ministry work in policy, market development and improving trade relationships is all geared to helping Alberta producers and processors succeed. Improvements in quality standards, safe food production systems and addressing consumer needs all contributed to a stronger industry climate.

Issues around environmental sustainability are also being addressed. The land productivity index rose significantly in 1999, well up from the forecast. Ministry work in the irrigation districts, on greenhouse gases and phosphorus loading is all directed at keeping the industries prosperous and the resources protected and sustained. More discussion on these key initiatives appears throughout this annual report.

Despite the production challenges, Alberta agriculture and food industries continue to be aggressive.

Public concerns and industry-related issues prompted the Ministry to announce Ag Summit 2000. I wanted to hear from Albertans, and especially from our producers and processors, what could be done to support sustainable growth and enhance the sustainability and productivity of Alberta's agriculture and food industry. The Ag Summit dialogue began in February 2000 and will result in a road map for industry, government and other stakeholders to follow toward a successful future.

The financial picture is also discussed in detail in this annual report. In short, because of the need to strengthen income support to producers, expenses rose over revenues. Expenses were $217 million higher than budget, in large part due to the enhancements to farm income support. Increases in farm income support were partially offset by lower than expected insurance program expenses and revenues that actually exceeded budget in 1999-2000.

The future will bring leading edge services to the agriculture and food industry.

A look forward

The Ministry intends to use the findings from the Ag Summit process as a basis for a collaborative effort with industry to address the present day and long term issues. In addition, a review began in the Department late in 1999 to ensure that staff and budget resources are allocated in an effective and efficient manner, consistent with the department's goals and the overall direction of government. The Department also adopted a new goal focused planning process that will bring greater accountability to the business plan and better integration among Department initiatives.

The future will bring leading edge services to the agriculture and food industry. The Agriculture Financial Services Corporation is nearly finished an insurance system project where clients will be able to access the systems and process transactions electronically. The Department's new knowledge management unit will help coordinate the incredible amount of knowledge that staff have, so client needs can be met more efficiently. Other new initiatives begun during the 1999-2000 fiscal year are described in the text of this annual report.

Mapping the way into the future will be a shared initiative between the Ministry and the agriculture and food industries. As we communicate, as we share our knowledge, ideas and direction for the future, we will continue to strengthen the solid working relationship we currently share. And that strength will benefit all Albertans.

Ty Lund

Minister of Agriculture, Food
and Rural Development

Section 1

Management's Responsibility for Reporting

The Ministry of Agriculture, Food and Rural Development includes:

- *Department of Agriculture, Food and Rural Development*
- *Crop Reinsurance Fund of Alberta*
- *Agriculture Financial Services Corporation*
- *Alberta Opportunity Company*
- *Alberta Dairy Control Board*
- *Alberta Grain Commission*
- *Farmers' Advocate*
- *Irrigation Council*
- *Land Compensation Board*
- *Surface Rights Board*
- *Agricultural Products Marketing Council*

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, we ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting.

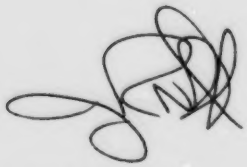
Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Agriculture, Food and Rural Development. Under the direction of the Minister, I oversee the preparation of the Ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgements. The consolidated financial statements are prepared in accordance with the government's stated accounting policies.

As Deputy Minister, in addition to program responsibilities, I establish and maintain the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control, which give consideration to costs, benefits and risks that are designed to:

- *provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations and properly recorded so as to maintain accountability of public money,*
- *provide information to manage and report on performance,*

- *safeguard the assets and properties of the Province under Ministry administration,*
- *provide* Cabinet, *Treasury Board, the Provincial Treasurer and the Minister any information needed to fulfil their responsibilities, and*
- *facilitate preparation of Ministry business plans and annual reports required under the Government Accountability Act.*

In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executive of the individual entities within the Ministry.



Jim Nichols

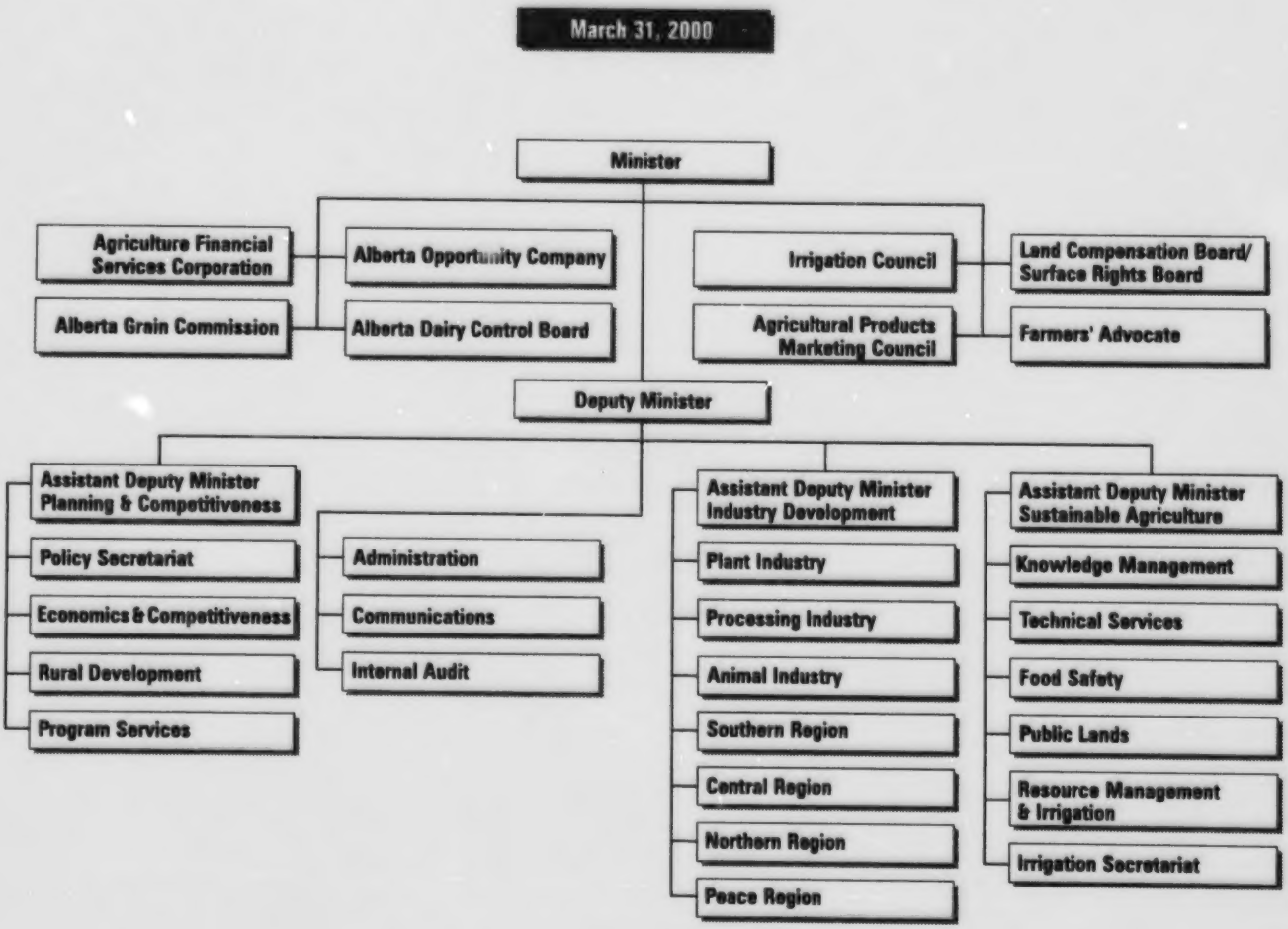
Deputy Minister
Ministry of Agriculture Food and
Rural Development

August 24, 2000

Section 1

Overview

Chart of Ministry Entities



Entities – Ministry of Agriculture, Food and Rural Development

Department

The Ministry is divided into the Department of Agriculture, Food and Rural Development and a number of agencies, boards and commissions. The Department is responsible for the management of programs designed to facilitate the development of all phases of the agriculture and food industry, to sustain the natural resource base of the industry and to encourage the development of rural communities.

Policy Secretariat

#301, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-2070

Communicates and interacts with all segments of the Ministry, agriculture industry and other governments to effectively meet the needs of the Department for strategic planning, program planning, policy research, analysis and development in various areas. Coordinates departmental responsibilities on regulatory review, performance measures, environmental and resource planning, among others.

The Secretariat provides ongoing analysis, evaluation and recommendations on national and international trade policy developments and assists industry on trade negotiations, legislation and trade disputes.

Economics and Competitiveness Division

#303, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-7311

Provides economic data and analysis expertise to assist Alberta industry optimize growth opportunities in agricultural products and services. Functions include applied economic business analysis, competitiveness studies, benchmarking/forecasting source data as well as analysis of emerging industry trends. In collaboration with Economic Development, the Division has created a new, enhanced capability to identify opportunities in the global marketplace. Together, the Departments continue to provide timely market information to Alberta exporters, producers and processors.

Rural Development Division

#201, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-2409

Promotes community-based, economically sustainable rural development by directing and coordinating programs and by recommending policy in the following areas: 4-H, Green Certificate, employment experience programs, home study, agriculture in the classroom, agricultural service boards, agricultural societies, agricultural development committees, farm safety, rural development, agricultural business management and risk mitigation.

Program Services Division

#306, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(403) 422-9167

Responsible for the delivery of the Farm Fuel Benefit Program, Alberta Farm Credit Stability Program, Feeder Association Loan Guarantee and disaster compensation under the federal Disaster Financial Assistance arrangements. Also responsible for negotiating and managing federal cash flow requirements under federal/provincial safety net agreements and managing Alberta's obligations under specific federal/provincial bilateral companion agreements.

Administration Division

#307, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-2151

Responsible for all revenues and expenditures, development and review of financial systems and procedures, coordination of the budgetary process and coordination of facilities required for the working environment of departmental staff.

Develops and administers human resource programs (staff and organization development, occupational health and safety, classification and compensation, recruitment and selection, employee relations and pay and benefits administration) to advise and assist line management in achieving its strategic objectives.

Provides effective support services to the Department in the area of electronic data processing development, maintenance and use. Some of the above functions will be transferred to the new Alberta Corporate Services Centre in 2000-2001.

Communications Division

#100A, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-2127

Responsible for the planning, development, organization and evaluation of communications programs including publishing, multi-media, executive communications, corporate communications and freedom of information and protection of privacy. Responsible for library services in fiscal 1999-2000. Also administers the Ministerial Action Request System.

Plant Industry Division

#304, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(789) 427-5341

Directs and coordinates programs and policies supporting the development of a viable and sustainable crops industry in Alberta. Through research and technology development and transfer, the Division ensures access to competitive technologies, marketing opportunities, diversification of crops and the sustainability of the agricultural resource base.

Processing Industry Division

#304, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-3166

Responsible for developing programs, policies and services to encourage the growth, diversification and competitiveness of the agricultural, food and feed processing industry.

Animal Industry Division

#204, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-2166

Coordinates and directs the development, administration and delivery of programs and policies to support the sustainable production of animals and animal products, including research and technology transfer for livestock, poultry and aquaculture.

Regions

Offices in the four regions are responsible for applied research, the delivery of information, technology transfer and skill development.

Services are provided to producers, processors, farm families, industry organizations, commodity groups, municipal authorities, agri-business and the general public. Industry Development sector staff provide a broad range of specialized information services and support services.

Southern Region
Lethbridge Regional Office
Ag Centre, Bag 3014
Lethbridge, Alberta T1J 4C7
(403) 381-5130

Central Region
Red Deer Regional Office
301 Provincial Building
4920 - 51 Street
Red Deer, Alberta T4N 6K8
(403) 340-7611

Northern Region
Barrhead Regional Office
Provincial Building, Box 4560
Barrhead, Alberta T7N 1A4
(780) 674-8264

Peace Region
Fairview Regional Office
Provincial Building, Box 159
Fairview, Alberta T0H 1LO
(780) 835-2291

Knowledge Management Unit

#307, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 422-1821

Coaches, mentors and facilitates Department staff in ways to improve their knowledge and information management practices to enhance the collective ability of staff to provide timely and valuable information, products and services to the Department's clients.

Technical Services Division

#204, 7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-0674

Directs and coordinates programs and policies to support the growth of the agriculture industry through research, testing and evaluation of equipment, application of legislation and technical standards to confinement livestock production and assuring an infrastructure is in place to support quality water supplies for domestic and livestock use.

Program areas include animal welfare, engineering services and confinement livestock operations as well as communication and liaison related to industry expansion issues.

Food Safety Division

#300, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-6159

Provides leadership and support for safe food production systems and global market access for Alberta's agriculture and food industry through information, services and administration of legislation.

Includes partnership in food safety emergency response; support for development of on-farm production protocols; assistance with Hazard Analysis Critical Control Point program implementation for slaughter and food processing plants; inspection of provincial slaughter plants; dairy farm inspection; food safety surveillance, animal health surveillance, soil and crop surveillance; research into food safety, animal health, crop and soil issues and provision of essential non-routine diagnostic services.

Public Lands Division

#200, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-3595

Responsible for program direction and the day-to-day management of approximately 10 million acres of public land in the settled area of Alberta. Works with Alberta Environment, who administer the *Public Lands Act*. Manages the high demand for the use of public land through integration of multiple use on public land with the assistance of resource agencies, disposition holders and the public.

Services are delivered from the Public Land Management Branch in Edmonton and regionally through five regional offices and 22 district offices. The majority of the Public Lands offices are amalgamated with other departmental offices to provide "one-window" service for all the Department's clients.

Resource Management and Irrigation Division

#206, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 422-4596

Provides policy advice and oversees the planning, delivery and evaluation of irrigation development and environmentally sustainable agriculture programming.

Program areas include soil conservation, water and air quality, greenhouse gases and climate change, irrigation development and management as well as resource conservation. Also manages the Alberta Environmentally Sustainable Agriculture program.

Irrigation Secretariat

See Irrigation Council under Agencies, Boards and Commissions

Agencies, Boards and Commissions

Agriculture Financial Services Corporation

Lacombe Headquarters
5718 - 56 Avenue
Lacombe, Alberta T4L 1B1
(403) 782-8200

Camrose Headquarters
4910 - 52 Street
Camrose, Alberta T4V 4E8
(780) 679-1311

Agriculture Financial Services Corporation (AFSC) delivers a wide variety of risk management products and financial services to fit the business plans of farmers and agri-business owners in Alberta. By offering unique financial products and services not provided by others in the industry, AFSC helps with the management of production and income risks associated with agriculture.

AFSC provides crop, forage and hail insurance, plus waterfowl and wildlife damage compensation, to help Alberta farmers protect against production losses on their farms. AFSC also administers the Farm Income Disaster Program, a whole-farm safety net program that compensates for disastrous declines in farm income.

Farm and agri-business financial services include the provision of farm loans and business analysis services for beginning and developing farmers, financial counseling, disaster financing for those facing multiple years of crop losses, and the facilitation and sourcing of financing for companies in the agri-food and value added industry.

AFSC produces a separate annual report.

Alberta Grain Commission

#305, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-7329

Provides continuous review of all facets of the grain and oilseeds industry in Alberta for the purposes of recommending policy. Provides a daily grain price information service.

Alberta Opportunity Company

5110 - 49 Avenue (P.O. Box 4040)
Ponoka, Alberta T4J 1R5
(403) 783-7011

Provides loans and guarantees up to $1 million to viable small and medium-sized Alberta businesses unable to obtain financing on reasonable terms and conditions from conventional lenders.

Alberta Dairy Control Board

Provincial Building
5201 - 50 Avenue
Wetaskiwin, Alberta T9A 0S7
(780) 361-1231

Administers the *Dairy Board Act* and regulation, hears appeals from the dairy industry and generally provides an independent sounding board for the dairy industry. Formulates policy recommendations, initiates legislative changes and formulates procedures that govern the dairy industry in Alberta and Canada.

Irrigation Council and Irrigation Secretariat

#328, Provincial Building
200 - 5th Avenue South, Bag 3014
Lethbridge, Alberta T1J 4C7
(403) 381-5176

Irrigation Council

Makes recommendations to the Minister on irrigation district related matters. Approves expenditures under the Irrigation Rehabilitation Program and monitors irrigation district activities as outlined in the *Irrigation Districts Act* (proclaimed May 2000).

Irrigation Secretariat

Provides administrative support to the Irrigation Council, administers the Irrigation Rehabilitation Program and works with irrigation districts to ensure compliance with the *Irrigation Districts Act*.

Agricultural Products Marketing Council

#305, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-2164

Provides assistance, advice and support to marketing boards and commissions. Delegates powers under the *Marketing of Agricultural Products Act* to boards and commissions to accomplish their stated objectives in the areas of research, market development and promotion.

Land Compensation Board/Surface Rights Board

18th Floor, Phipps Mckinnon Building
10020 - 101A Avenue
Edmonton, Alberta T5J 3G2
(780) 427-2444

Land Compensation Board

Responsible for the administration of the *Expropriation Act*. Initiates and implements Board policies, initiates legislative changes and formulates rules of procedure.

Surface Rights Board

Responsible for the administration of the *Surface Rights Act* and Part 2 of the *Expropriation Act.* Initiates and implements Board policies, initiates legislative changes and formulates rules of procedure.

Farmers' Advocate of Alberta

#305, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-2433

Provides the Minister with information on issues concerning rural Albertans. Works closely with agricultural interest groups, Alberta Environment, Resource Development, Municipal Affairs, Infrastructure and other levels of government to formulate policy recommendations and procedures that affect the rural community. Provides dispute resolution services, advice and information to individual farmers or agricultural associations on issues that impact rural Albertans. Administers the *Farm Implement Act*.

Funds

The **Crop Reinsurance Fund of Alberta** is under the provisions of the agreement between the Province and the Federal Government, and the Agriculture Financial Services Corporation reinsures the risks. Two separate Reinsurance Funds are set up. One is a provincial reinsurance fund called the Crop Reinsurance Fund of Alberta and the other is federal, called the Crop Reinsurance Fund of Canada for Alberta. A basic reinsurance premium equal to 15 per cent of the total premiums collected is paid into each of the above two reinsurance funds. Reinsurance funds kick in when there is a deficit in the Crop Insurance Fund at the end of the fiscal year.

Operational Overview

Ministry's Core Businesses

The core businesses of the Ministry are reflected in the mission statement:

We will enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services.

Each of the eight Ministry goals contributes to the achievement of this mission. These achievements constitute the role of Alberta Agriculture, Food and Rural Development (AAFRD) in contributing to the Government of Alberta's 26 core performance measures, as shown in the Results Analysis section in this annual report. Following the discussion of the Ministry's role is a comprehensive discussion of the Ministry Goals and Performance Measures for the fiscal year 1999-2000.

Major Ministry Functions

- *applied research*
- *technology transfer*
- *regulatory*
- *industry development*
- *risk management*
- *public land management*
- *lending*

Department Restructuring

In 1999-2000, significant structural changes were made in the Department. Restructuring of the Department brought about the creation of new divisions, such as Food Safety and Technical Services, to meet emerging priorities.

Public Lands became a separate division to concentrate specifically on this valuable resource. A combined Economics and Competitiveness Division was created to strengthen the support the agriculture and food industry receives in these key areas.

The Marketing Services branch was moved to Alberta Economic Development, to consolidate international marketing expertise in one area. The Alberta Agricultural Research Institute moved to the Innovation and Science Ministry. A Knowledge Management unit was established to create innovative ways to capitalize on the collective knowledge within AAFRD to help provide the best service possible to Ministry clients.

In addition, a departmental functional review was begun to ensure that staff and budget resources are allocated in an effective and efficient manner, consistent with the Department's goals and the overall direction

of government. The review and appropriate responses to its findings will continue through the year 2000.

Overall Ministry Operations and Services

Here are the overall Ministry budget and actual operating results for all the Ministry's entities.

Actual Results Compared to Budget

(millions of dollars)

	1999-2000 Budget	1999-2000 Actual	1998-1999 Actual
Revenues	362	454	363
Expenses	615	832	539
Excess of expenses over revenues	**253**	**378**	**176**

The following two pages provide summary highlights of the Ministry's 1999-2000 results:

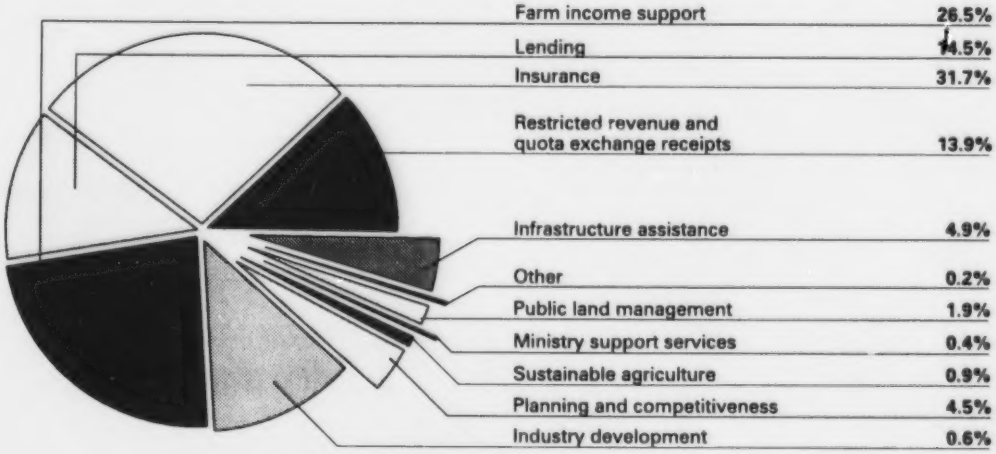
- *financial highlights showing Ministry revenues and expenses*
- *summary performance measures highlights*

A full discussion of both the financial and performance measures results is presented in the Results Analysis section of this annual report.

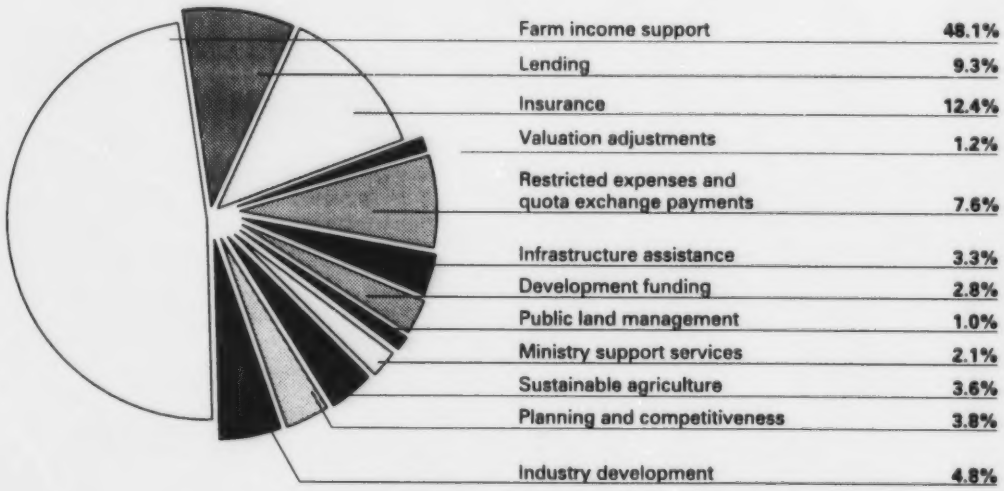
Highlights – Financial and Performance Measures

Financial

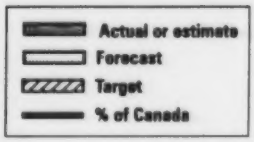
Revenue by program
(percentage)



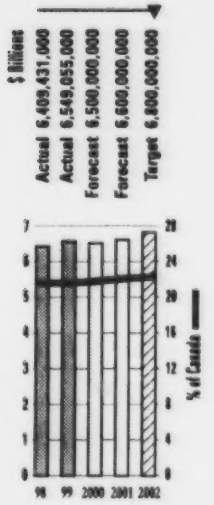
Expenses by program
(percentage)



Performance Measures

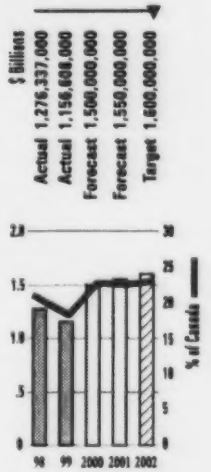


Alberta Farm Cash Receipts



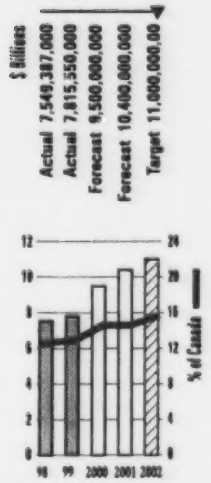
Measure 1

Alberta Net Cash Income



Measure 2

Alberta Food and Beverage Industries' Value of Shipments

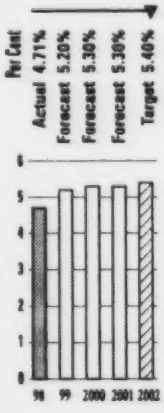


Measure 3

Value of Out-of-Province Shipments of Agriculture & Food Products

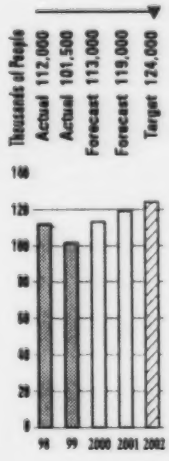
Measure 4

Contribution to Provincial Gross Domestic Product



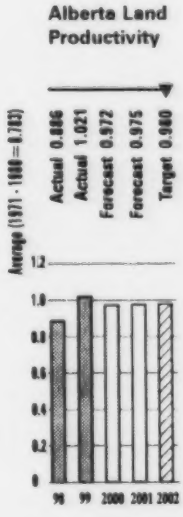
Measure 5

Employment in Agriculture and Food



Measure 6

Alberta Land Productivity



Measure 7

Significant Events Affecting the Agriculture and Food Industries in Alberta

The agriculture and food industries faced a challenging year once again in 1999-2000. Continued low commodity prices and adverse weather had far reaching effects on many rural Alberta communities. International trade issues brought a number of pressures to bear. Global trade pressure and public concerns about food safety were key priorities for the Ministry. Work with the industries on initiatives in value adding, diversification, partnerships and in air, land and water quality were all part of the Ministry's focus in the context of events during the year.

Farm income support and safety nets were high priorities in 1999-2000. Low farm incomes demanded a strong Ministry response. Enhancements to the Farm Income Disaster Program helped reduce the negative impacts of low farm income in 1998 and 1999. The reference period was expanded from three years to the best three out of five years, and the calculation now provides support to expanded farm operations. In addition, application deadlines were extended, and previous applicants were eligible to have claims reprocessed under the new guidelines. Program payments are expected to total more than $300 million for fiscal 1999-2000. The Farm Income Assistance Program 2000 was introduced on March 14, 2000. This $130 million initiative provided Alberta farmers with $4.29 per acre on all cultivated acres farmed in 1999.

Federal/provincial negotiations continued to develop a new, long term safety net agreement to provide an effective package of safety nets to farmers.

A major review of the Crop Insurance Program was initiated to make sure the program will be able to meet the needs of producers in the future. A report and recommendations are expected by October 1, 2000. On March 14, 2000, the Alberta government announced a 30 per cent reduction in the crop insurance premiums farmers will pay in 2000.

Tough international markets meant ongoing work by the Ministry to ensure that Alberta products can reach the global marketplace. Alberta continues to significantly expand its exports through aggressive market access activities including market development, dealing with trade irritants, improving bilateral relations with neighboring states and contributing to a favorable trading environment.

New information was developed in strategically critical areas of competitiveness including investment attraction, biotechnology, organic and natural foods as well as marketing options and costing for numerous agricultural enterprises. These tools will help the Alberta industries compete more effectively.

Farm income support and safety nets were high priorities in 1999-2000.

Important trade dispute irritants and policy issues were successfully dealt with including countervail and anti-dumping challenges in the cattle industry and the development of trade positions for the upcoming World Trade Organization. The Ministry participated in the defense of Canadian cattle industry trading practices against two US trade actions with the result of a cost savings of over $100 million per year to Canadian cattle exporters. The Ministry's partnership with the Agri-Industry Trade Group led to the development of a Canadian industry trade position for the federal government to pursue in World Trade Organization negotiations on agriculture.

International trade requirements meant food safety and quality standards were enhanced, and new efforts were launched in monitoring and surveillance to address technical barriers to trade. In the past, animal health barriers have arisen as impediments while traditional monetary trade barriers have been reduced. Technical barriers must be scientifically based on good surveillance and monitoring information. Specific Ministry projects addressing bovine spongiform encephalopathy and specific avian diseases are designed to overcome these technical barriers to trade.

Alberta food processors have developed safer food handling procedures and good processing practices with the assistance of Ministry staff.

An increased global emphasis on safe food production systems resulted in the Ministry's involvement in several education and training programs. The Food Safety Counseling program enhanced the awareness, training and adoption of food safety practices and programs by Alberta food processors. Over 85 companies have been involved with the program, and over half of these have taken the food safety workshops. Alberta food processors have developed safer food handling procedures and good processing practices with the assistance of Ministry staff. These changes benefit both the consumer and the entire industry by providing a knowledge of effective practices and better quality-controlled products.

The implementation of on-farm production protocols is critical to the establishment of safe food production systems. In partnership with the Ministry, the Alberta beef, pork, poultry and horticulture industries have made excellent progress toward the establishment of programs that assure the supply of safe product to processors. Industry and government have recognized a need to promote equivalence in food safety standards applied to meat production across Alberta.

Along with the **increased emphasis on food safety by consumers**, an increase in the cooperation and coordination of activities between federal and provincial agencies has become vital. Significant progress has been made in the Canada Alberta Partners in Food Safety initiatives. This forum brings together the Canadian Food Inspection Agency, Alberta Health and Wellness as well as the Ministry to determine areas of increased knowledge sharing and service delivery in the provision of education and training, laboratory services, meat inspection and dairy inspection. A multi-agency emergency preparedness and response plan has been drafted.

Alternative business opportunities were the focus of producers, processors, agri-business and the Ministry. The aim was to explore new opportunities to enhance competitiveness. These efforts involved collaborative efforts in workshops on direct marketing and diversification; audits, surveys and tours to identify opportunities; decision-making tools for livestock production, crop production, management and technology to enable stakeholders to work together and to move knowledge and market information out to the industry users.

Research funding and the delivery of information and services were joint efforts by both the private sector and the Ministry. In particular, the Department worked with the industry in "train the trainer" activities, which better positioned the private sector to service the industry. This support involved over 5,000 teachers, agronomists, veterinarians, nutritionists, researchers, accountants, management specialists and industry service personnel, many of whom strengthened their skills through various world class national and provincial training events.

Food and beverage industry shipments grew to $7.8 billion in 1999, an increase of 3.5 per cent or $266 million. This increase happened despite the decrease in commodity prices; those lower prices significantly lowered the raw material prices and thus the total value of shipments. The Ministry's goal is to continue attracting new investment to Alberta, so the shipments continue to grow. The significant investment of over $200 million in two world-scale potato processing facilities shows a major impetus for the development of potato production in southern Alberta. In addition, the Ministry has made a commitment to proceed with a major expansion of the Food Processing Development Centre in Leduc.

The value chain concept is linking producers, processors and the food service industry. The Finding New Markets in Food Service workshops held by the Ministry helped establish some of these links. As a result, several new Alberta meat products are featured in fine restaurants in Edmonton. Chefs and purchasing officers indicated a preference for buying locally-grown and processed products and developing a relationship with the producers and processors. A successful Rural Alberta Showcase was held featuring exhibitors of Alberta-based independent businesses with a focus on networking – sharing ideas, contacts and value-added product.

Diversification is still a significant initiative in agriculture and food. Ministry staff, the Peace Region Forage Seed Association and others generated funding for forage seed research. The new joint industry/government Bison Centre of Excellence is now operating in Leduc. In support of the growth of the value added potato processing industry, the Ministry and Agriculture and Agri-Food Canada continued a joint program in potato breeding, varietal screening and adaptability testing. Two water/waste water infrastructure projects were approved for funding in support of two municipalities to contribute to value added processing. The condition of 114 rehabilitated projects within the 13 irrigation districts was evaluated to ensure that increasing diversification opportunities can be accommodated.

A new, broad-based industry consultation, Ag Summit 2000, was begun.

A new, broad-based industry consultation, Ag Summit 2000, was begun to make sure Ministry and industry efforts are focused on the key issues necessary to ensure sustainable growth in an increasingly competitive environment. To ensure that Alberta's agriculture and food industries will continue to be viable and competitive in the future global marketplace, this major industry consultation was initiated in February 2000. The process involved consultations with industry stakeholders to develop actions focused on enhancing the productivity, sustainability and profitability of the industry. The process extends into the spring/summer of 2000 and will influence the Ministry's strategic direction for the future.

Greenhouse gases, climate change and agriculture were significant issues in 1999-2000. Canada and some 160 industrialized nations have signed an international agreement on climate change aimed at reducing greenhouse gas (GHG) emissions. Under the Kyoto Protocol, Canada has agreed to reduce its emissions to 6 per cent below 1990 levels. This reduction must be done by 2008 to 2012. The Alberta agriculture and agri-food industries' GHG emissions are about 12 per cent of Alberta's total greenhouse gas emissions and 31 per cent of Canada's agriculture and agri-food greenhouse gas emissions.

Alberta's agriculture and food industries are ahead of other provinces in terms of producer awareness and developing management strategies. Some tools are already in use that reduce GHG emissions. These tools include direct seeding, reduced tillage, proper timing and placement of fertilizers, seeding forages and feeding livestock to minimize methane production. The Ministry worked with the industry-led Alberta Environmentally Sustainable Agriculture Council to develop a strategy paper on this topic.

Alberta has a large and growing livestock industry, and manure disposal (containing nutrients) must be properly managed.

Phosphorous loading and water quality were also key sustainability issues with the public concern about the effects of intensive livestock operations and the proper handling of animal manures. More and more research has identified phosphorus pollution from all sources to be a major threat to water quality. Alberta has a large and growing livestock industry, and manure disposal (containing nutrients) must be properly managed.

Currently, little information exists on maximum phosphorus loading for Alberta's agricultural soils and on its variability for soil type, landscape and climatic conditions. The Livestock Regulatory Stakeholder Advisory Committee (industry-driven) asked the Ministry to spearhead the development of standards for sustainable phosphorus application rates on agricultural land. This initiative is currently underway, in cooperation with industry stakeholders, and draft figures should be completed by late fall 2001.

Reinvestment funding became a focus. In early 1999, the Ministry was successful in obtaining additional provincial funding to facilitate the long term growth of the agriculture and food sector. Industry was consulted as to how best to invest these dollars, and the Right Honourable Don Mazankowski and the agriculture and rural development delegates to Growth Summit '97 reviewed the input and provided their comments and recommendations. By the end of 1999, some $43.70 million had been allocated as follows:

- *$23.75 million to three Industry Development Funds (Crops, Livestock and Diversified Livestock)*
- *$10.15 million to 10 other worthy projects and programs that do not fit the Industrial Development Fund concept*
- *$9.8 million for additional program costs and the costs of Ag Summit 2000*

The Ministry expects disbursement early in 2000 and believes the approved projects are a sound investment in the future of the agriculture and food sector.

Section 1

Results Analysis

Ministry Goals

Role of the Ministry

The Ministry of Alberta Agriculture, Food and Rural Development has a direct or indirect affect on 19 of the government's 26 core performance measures, as identified in the 1999-2000 ***Measuring Up*** document (***Measuring Up: Sixth Annual Report on the Performance of the Government of Alberta***).

- *export trade*
- *resource sustainability*
- *gross domestic product*
- *intergovernmental relations*
- *family income distribution*
- *skill development*
- *provincial credit rating*
- *heritage appreciation*
- *cost of government*
- *taxation load*
- *job growth*
- *land quality*
- *water quality*
- *air quality*
- *net debt (accumulated debt)*
- *business innovation*
- *value added industries*
- *infrastructure capacity*
- *workplace climate*

Ministry Goals

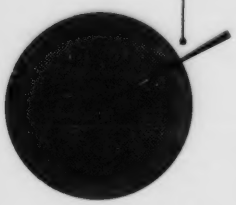
The eight Ministry goals for the 1999-2000 fiscal year show the focus on Alberta Agriculture, Food and Rural Development's (AAFRD) core businesses.

Goals –

1. *Improved access to domestic and world market opportunities.*
2. *Improved competitiveness of industry commodities, products and services.*
3. *Increased amount of value added to industry commodities, products and services.*
4. *Increased diversity of markets and industry commodities, products and services.*
5. *Increased capability of industry to manage risk.*
6. *Improved environmental stewardship.*
7. *Continued excellence in food safety.*
8. *Improved management of the Ministry's resources.*

Goal 1
Percentage of Ministry operating expenses

1.2%



Ministry Goal #1

Improved access to domestic and world market opportunities

Measure #1

Changes made in policy and legislative areas where change is wanted or desired

Strategy

Encourage greater market penetration in priority markets through the provision of strategic market information, including competitive intelligence.**

Results

- Value added product exports have increased 11.8 per cent from 1995 to 1999; for the first time in history, value added exports exceeded primary goods exports from Alberta.
- Exports to key priority markets (US, Mexico, Japan, China, Taiwan, Korea) have increased an average of 4.1 per cent a year since 1994 (benchmark year). Exports to these six countries have increased to $3.6 billion between 1994 and 1999.
- Broadened industry and department awareness of market threats and opportunities through competitive intelligence studies: investment attraction and biotechnology strategies of competing jurisdictions, the honey industries of China and Argentina, nutraceutical legislation and regulations governing antler velvet in Canada and the US as well as an organics' analysis.
- Industry and Department clients increased their awareness of market opportunities through reported/published information on Canadian and international trade statistics prepared by staff.
- Direct marketing knowledge and opportunities were increased for horticultural crop producers through seminars, workshops and revised guidelines for the Farmers' Market Program.
- Guided the development of an alliance of snack food manufacturers under the banner of "Canadian Bold."
- Led the development of triticale to increase market access opportunities for Alberta cereals.
- Coordinated a new research project on food barley for the Japanese Shochu market.

** Such activities, in part, contributed to increased value added exports in key markets.

Strategy

Strengthen industry capabilities and skills in responding to international trade disputes and/or help overcome trade constraints.

Results

- Collaborated with other government officials and industry representatives to successfully help defend the trading practices of the Canadian cattle industry from two US trade actions, countervailing and anti-dumping duties. A cost savings of over $100 million per year to Canadian cattle exporters resulted from the successful defense.
- In partnership with Canadian bison organizations and the federal government, ensured market access, which was threatened by US action.
- The outcome of several forums and exchanges between governments (states-provinces) and agriculture industries on both sides of the Canada-US border facilitated accurate information exchanges that reduced trade tensions on a wide range of economic and technical (health and safety, sanitary and phytosanitary) barriers to trade. The forums were initiated and organized by Ministry staff.

- Improved cattle trade and reduced tension between US and Canada was the result of the output of a multi-disciplinary team that produced a risk assessment study of relaxing the testing requirements for blue tongue and anaplasmosis on cattle entering Canada from the US.
- Significant progress in developing model national meat regulations and code for meat safety and facilities standards for use across Canada resulted from ongoing work between the provinces and the federal government.

Measure #2

Reduction in barriers that limit market access

Strategy

Support industries' work in improving market opportunities through trade negotiations.

Results

- Collaborated with the federal government in its negotiations on market access for China's entry into the World Trade Organization (WTO). Alberta's access to China on its admission to the WTO will enhance market opportunities for grains, canola products, pork and beef, among other agriculture and food products.
- A new agreement has also improved access for beef, pork and seed potatoes together with improved, transparent rules-based access for these products.
- The Alberta Dairy Control Board worked with industry to increase production by 7.5 million liters for the Optional Export Program and, in consultation with industry and the federal government, developed a new export strategy.

Strategy

Support industries' work in improving market opportunities through trade: collect animal health information necessary to support continued access to domestic and international markets.**

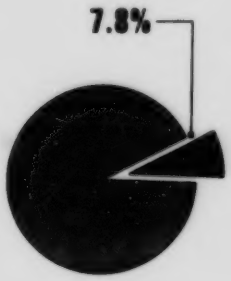
Results

- Surveillance generated information that was provided to the Canadian Food Inspection Agency led to the following outcomes:
  1. ensured the continued access by Alberta poultry products into Russia.
  2. verified freedom from bovine spongiform encephalopathy.
  3. provided evidence that Alberta's farmed and wild cervid population is free of chronic wasting disease.
- Ongoing surveillance programs for reportable and emerging diseases:
  1. surveillance for *Salmonella enteritidis* identified one positive flock, and eggs from that flock were diverted away from the retail market and the flock destroyed.
  2. surveillance projects produced baseline data on the prevalence of Johne's disease in beef and dairy cows, *Campylobacter* spp in slaughter hogs and *Salmonella* spp at different levels of the beef production chain and in dairy cattle.

** These results while specific to Goal 7, continued excellence in food safety, are also critical to the maintenance and enhancement of market access given the emerging importance and concern with food safety in international and inter-provincial trade.

A new agreement has also improved access for beef, pork and seed potatoes.

Goal 2
Percentage of Ministry operating expenses



Strategy

Support industries' work in improving market opportunities through trade negotiations.

- In partnership with the Agri-Industry Trade Group (AITG), developed a Western Canadian industry trade position for the federal government to pursue at the World Trade Organization (WTO) negotiations on agriculture. The federal government's negotiating position largely reflected the views of the Western Canadian agri-industry, including the full elimination of export subsidies and a significant reduction in domestic subsidies. AITG participation at the WTO meeting in Seattle was recognized and supported by the federal government. This government-industry partnership initiated and supported by the Ministry has enhanced the influence and probability of improved market access opportunities for a wide range of Alberta agriculture and food products.
- The Ministry study "Effect of Unrestricted Barley Trade on Prices and Production in Canada and the United States" showed that significant benefits would accrue to Alberta farmers under an open border North American barley market scenario. This study strengthened the argument for a dual market and reduced Canada-US trade irritants.

Strategy

Develop and advocate policies that improve market access.

Results

- Collaborated with the Alberta Grain Commission, the Prairie Farm Commodity Coalition and other farm organizations, with support from the Premier and Ministers, to continue on-going efforts through information and advocacy for dual marketing for wheat and barley and a commercial, competitive transportation and handling regime for these crops. Some success has been achieved in May 2000 through federal transportation legislation, in combination with earlier pricing and payment options drafted by the Canadian Wheat Board.
- Together with other western provinces and Alberta Infrastructure, developed strategies to influence federal transportation polices for grain, which resulted in the Kroeger Implementation Report presented to the federal government.

Ministry Goal #2

Improved competitiveness of industry commodities, products and services

Measure #1

Alberta's market share for priority production in priority markets

Strategy

Improve the transfer of integrated and unbiased technology and knowledge to assist industry to be more competitive and market responsive.

Results

- 1.32 million user sessions on the Ropin' the Web Department website in 1999 (up 32 per cent) compared with 1.01 million in 1998 and 557,000 in 1997. User feedback continues to be very positive and constructive for this information and service channel.
- Veterinarians, nutritionists and feedlot operators strengthened their decision making capabilities by obtaining more than 600 beef technology decision making packages.

- The beef herd audit identified over $9.5 million in potential gross income improvement on 1,711 farms surveyed.
- The provinces's greenhouse industry registered a 6 per cent growth in overall acreage in 1999.
- Extension and business management information on Internet provided:
  - 4-H clients access to on-line technical project training materials in beef, canine and small engines (first in Canada).
  - new crops and machinery decision making applications including Machinery Cost Calculator, Herbicide Selector and Insecticide Selector Program, farm fertilizer information and recommendation manager.
- In response to client needs expressed in recent surveys, industry competitiveness was improved by:
  - 150 front-line specialists providing integrated or research-based information to the agriculture industry.
  - provided program planning advice and grant support of $8.6 million to enable 281 Agricultural Societies to operate community facilities, organize agricultural activities and support enhanced rural development leadership.
  - Agricultural Financial Services Corporation authorized 966 beginning farmer loans for a total of $108.5 million.
  - Alberta Opportunity Company authorized 309 small business loans and guarantees totaling $42.6 million.
- Irrigation districts, producers, the Prairie Farm Rehabilitation Administration and Alberta Environment improved on-farm water application efficiencies as part of the Year 2000 Review Assessment of Water Allocation in the South Saskatchewan River Basin. An inventory of current on-farm irrigation systems and crops for about 1.3 million acres within the 13 irrigation districts was completed.
- Industry's need for trained agricultural workers was supported through partnering with Alberta Learning, high schools, colleges, universities and industry:
  - Green Certificate Farm Training Program certified 375 young Albertans. Another 539 young rural Albertans entered the training program, and 74 per cent of all trainees entering the program achieved certification.
  - Alberta farmers employed 445 youth aged 15-24 under the Summer Farm Employment Program, veterinarians employed 38 veterinary students under the Veterinary Work Experience Program and processors employed 20 post-secondary students under the Agricultural Processing Industry Employment Program.
- The leadership skills of future agricultural leaders was strengthened by:
  - 415 senior 4-H members and 524 adult volunteer leaders received specialist leadership training at provincial 4-H events.
  - 94 percent of the 2,313 volunteer adult leaders and youth members of 4-H who attended provincial 4-H training events reported a positive change in their level of knowledge and skills.

The provinces's greenhouse industry registered a 6 per cent growth in overall acreage in 1999.

Measure # 2

Production index for priority products

Strategy

Encourage greater private sector involvement in conducting and funding research and in the delivery of information technology and services.

Results

- 250 applied research and demonstration projects were run involving more than $10 million of multi-source funding.
- 750 private sector professionals (accountants and lawyers) received up-to-date information on taxation and income tax provisions relating to agriculture and farm taxation.
- 1,500 teacher ambassadors delivered Agriculture in the Classroom activities, raising awareness and understanding of the importance of the agricultural industry to the Alberta economy.
- Approximately 1,400 agriculture industry agronomists enhanced their knowledge of agronomic issues and diagnostic capabilities through three Diagnostic Field Schools.
- Industry, universities and other international groups increasingly sought expertise of Ministry staff in the "train the trainer" workshops. Examples include the Australia field diagnostic school, Agrium crop advisors, the China Beef workshop and the Agronomy workshop.
- Veterinarians, nutritionists, researchers and industry service personnel strengthened their skills and knowledge through national class events such as the Banff Pork Seminar (530), the Western Canadian Dairy Seminar (500), the Alberta Horse Industry Conference (520), and the Western Forage Beef Pasture School (60).

Consultation with the industry resulted in over $40 million in reinvestment in the agriculture and food industry.

- Consultation with the industry resulted in over $40 million in reinvestment in the agriculture and food industry directed to projects that will provide long term funding to industry:
  - $23.75 million to three industry development funds (IDF's).
  - $10.15 million to 10 projects beyond the IDF concept.
  - $9.80 million targeted to agriculture programming costs and costs of Ag Summit 2000.
- Private and public research organizations conducted research that will improve crop and livestock production, while sustaining and improving the environment:
  - expansion of the Cows and Fish program into northern Alberta.
  - release of a new semi-dwarf feed barley variety "Niska," and hulless barley varieties "Jaeger" and "Peregrine."
  - research trials in northern vigor in medicinals, strawberry crowns and seed potatoes.
  - technology on alternate day feeding and swath grazing that can reduce cow wintering costs by up to $15,000 within an average-sized herd.
  - a disease forecasting model and control strategies for alternaria blackspot of canola.

Strategy

Develop and administer an improved legislative, regulatory and policy environment that enhances competitiveness.

Results

- Provided project leadership for the development of New Generation Coop legislation.

- Assisted the Alberta Chicken Producers, through an enabling amendment to their regulations, to hold Alberta's first auction for new allocation of quota under the *Marketing of Agricultural Products Act.*
- Amended the *Agricultural Financial Services Act* allowing the Agriculture Financial Services Corporation to market its expertise and services within and outside Alberta.
- The *Irrigation Districts Act* received Royal Assent, draft regulations were prepared and public consultations were conducted with the goal of improving accountability and streamlining administration within the 13 irrigation districts.
- Provided for the development and application of uniform standards in the dairy industry through the *Dairy Industry Amendment Act 1999.*
- Amended the *Agricultural Operations Practices Act,* thereby defining an agricultural nuisance and giving the court the authority to make a complainant liable for costs of a frivolous complaint.
- Established a new minimum base grant for all agricultural service boards of $44,000. The total operating grants for 68 municipal and 2 First Nation service boards were $4,635,822, enabling them to deliver programs in soil and water conservation as well as weed and pest control.
- All 172 regulations administered by the Ministry were either reviewed or reviews were in progress by the end of 1999. As a result of the reviews, 31 redundant regulations have been or will be repealed, and remaining regulations are as simple and effective as possible so that better, current and effective regulations are in place. Work is in progress on all the remaining reviews: completion of reviews or repeals of 21 remaining regulations will be completed in 2000.

Strategy

Together with industry, strengthen value chain development.

Results

- Collaborated with the Agriculture and Food Council in the development of the value chain financial assistance program.
- Supported Alberta pork producers participation in the Canadian Quality Pork program – 300 producers representing 40 per cent of Alberta's pork production have been enrolled.

Strategy

Use competitive intelligence to increase the availability of strategic market information for use by industry.

Results

- Analyzed opportunities in Canadian, US and European jurisdictions for investment attraction opportunities to Alberta.
- Completed analysis on the greenhouse industries of Denmark, the Netherlands and Israel.
- Enhanced the health and safety of farmers, farm families and farm staff through improved attitudes towards health, safety and safe operating practices as evidenced by a 35 per cent decline in farm fatalities from 1998 to 1999.

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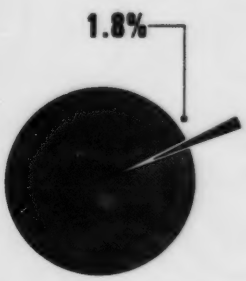
Goal 3
Percentage of Ministry operating expenses



Ministry Goal #3

Increased amount of value added to industry commodities, products and services

Measure #1

Dollars invested in value adding in Alberta

Strategy

Encourage investment in value added.

Results

- New investment of $82 million (mostly expansion of existing industry).
- Six new agri-food processing projects totaling over $95 million in new capital investments were announced.
- Investment opportunities in Alberta promoted:
  - completed profiles of 15 investment opportunities that are included in a new "Investment Opportunities" publication, in addition to completing opportunity studies on barley fractionation, ethanol and soft wheat.
  - Agriculture Financial Services Corporation (AFSC) facilitated investment of $64.9 million in 88 projects by leveraging $12.8 million of its funds with $52.1 million in private sector debt and equity.
- Through the Food Processing Development Center and Agricultural Value-Added Engineering Center, partnered with industry to conduct research, produce information and encourage the adoption of new or better value added processes.
  - 88 new products developed and marketed.
  - five new food processing companies established.

Measure # 2

Value of shipments of agriculture and food products within and from Alberta to other provinces and countries

Strategy

Partner with industry in further work in non-food uses of agricultural products.

Results

- Alberta Grain Commission is participating in an Interdepartmental Committee to update the Ministry's ethanol policy by 2000. In 1999-2000, the committee initiated a study to evaluate the benefits of ethanol production in Alberta.
- Four grants to companies/associations working on non-food applications.
- AFSC facilitated investment of $5.6 million in six projects for which there was non-food use of agricultural products.

Strategy

Work in partnership with others to develop opportunities, reduce constraints and encourage new and expanded value added production in Alberta.

- Conducted a mission to the United Kingdom for Alberta companies to assess opportunities for production of prepared foods in Alberta.
- AFSC worked with other lenders to arrange lending to 52 value added projects.

Strategy

Develop new value added technologies for use by Alberta industries.

Results

- Four new technologies were adopted by Alberta companies.

- Continued to work with the management of Alberta Value Added Corporation (AVAC) Ltd. to encourage the long term growth and development of the agri-food and fiber sector. AFSC and AVAC jointly funded one project for $336,000.
- Worked with partners to help new value added processors develop business and marketing plans to support the production of new products. Developed a business planning web site to provide new entrepreneurs with business and marketing information to plan and operate a successful business.
- Taste of Success program worked with 12 new processors in the development of the acceptability and marketability of their product. Two companies reported major growth in the product and markets.
- Partnership with the Alberta Meat Processors Association resulted in the development of an industry business planning guide and training workshop.

Strategy

Expand market expertise and investment knowledge of AFSC Commercial Financial Services to deliver financial products and services efficiently in key market areas.

Results

- AFSC added one new staff person with venture investment background.

Strategy

Continue to press the federal government for changes to policies that discourage value adding, including those in the grain sector (for example, establish trade policy that would support value adding through zero-for-zero tariffs in oilseeds products and other manufactured food products).

Results

- The Kroeger Report was favorable to Alberta interests, providing for limiting the influence and control of the Canadian Wheat Board in transportation matters and providing more choices for farmers, thereby allowing better opportunities for value added industry development in Alberta through greater pricing flexibility.

Ministry Goal # 4

Increased diversity of markets and industry commodities, products and services

Measure #1

Value of production of non-traditional commodities and products

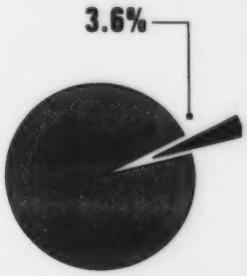
Strategy

Continue to encourage more diverse, commercially sustainable production in Alberta.

Results

- Forage seed production under irrigation increased from 5,000 acres in 1995 to 10,000 acres in 1999.
- Conducted variety trials and agronomy research to support the development of the forage and turf seed industry.
- In partnership with the Peace Region Forage Seed Association, staff hosted the Western Canadian Alfalfa and Grass Seed Conference with 330 delegates attending from provincial, national and international backgrounds.

Goal 4
Percentage of Ministry operating expenses



In collaboration with industry, completed an extensive analysis of new crops and alternative livestock potential for Alberta.

- Ministry staff and members of the Peace Region Forage Seed Association and others have generated funding that included a $30,000 per year commitment for three years to Agriculture and Agri-Food Canada in Beaverlodge for forage seed research.
- Continued to carry out and publish research needs for clients on such forage topics as *Endophytes in Grass Seed, Selecting Grass Seed Crops Herbicides* and *Creeping Red Fescue Seed Production*.
- More industry focused research undertaken on elk, bison and aquaculture.
- Several research and demonstration projects highlighted the agronomic potential for new crops such as peas, faba and dry beans, lentils, canary seed, spices and sunflowers.
- Applied research continued in the areas of medicinals, hemp and other special crops.
- Special crops work included:
  - completed pea inoculation trials to support the building of a pea agronomic package for southern Alberta.
  - continued work on the developing crop, chick pea, with specific work on planting and harvesting agronomics.
  - suitability and agronomic trials were undertaken looking at Canamaize, a dwarf corn.
  - second year of agronomic and yield trials was completed on a new crop – hemp.
- Testing of 200 new crops resulted in several being identified as having commercial possibilities.
- Generated research and development on black currants, the newest commercial fruit crop in Alberta, in a joint project with Olds College Centre for Innovation.
- Continued a joint program with Agriculture and Agri-Food Canada in potato breeding, varietal screening and adaptability testing; additional project partners include Saskatchewan and Manitoba.
- Staff and C.V. Technologies Inc. established an undergraduate scholarship in the Faculty of Agriculture, Forestry and Home Economics at the University of Alberta. This scholarship is awarded to an undergraduate majoring in Agriculture or Nutrition and Food Science, with an interest in production or utilization of special crops or nutraceuticals and functional foods of plant origin.
- In partnership with Agriculture and Agri-Food Canada, British Columbia Agriculture Ministry staff and the British Columbia Grain Growers, established a three-year research project at Beaverlodge to monitor and research the needed areas of integrated pest management that will lead directly to a more profitable grains industry.
- A new shallow floating bed system of hydroponic lettuce production was developed and adopted by greenhouse growers. This system was also used to grow romaine lettuce and Chinese leafy greens, which represent future crop diversification opportunities.
- In collaboration with industry, completed an extensive analysis of new crops and alternative livestock potential for Alberta.
- The Biotechnology Initiative was established to gather information and assist industry in areas such as:
  - labeling requirements
  - segregation and identity preservation
  - consumer perceptions
  - safety assessment protocols

- In partnership with industry, undertook a study that examined the competitiveness of Alberta's horticulture industry. This is benchmark data used by industry to assist them in examining the potential for crop and product diversification.
- Partnered with Landscape and Nursery Trades Alberta and the Fruit Growers Society of Alberta to research industry structure and marketing benchmark data for fruit and nursery crops.

Strategy

Improve the transfer of integrated and unbiased technology and knowledge to assist industry increase diversity.

Results

- Worked with the Western Canada Forage Seed Team to ensure collaboration between industry, extension and research in the development of the forage seed industry.
- Established a new joint industry/ government Bison Centre of Excellence, the first in North America.
- Developed a herb and spice CD Rom; many producers have used this tool to make decisions about alternative crop potentials.
- Developed three web boards for the special crops industry facilitating the interaction between buyers and sellers. These web boards also provide a forum for technical questions and answers.
- 580 people attended diversification seminars at ten locations across the province. Clients gained industry links and learned how to do market research. Individual follow-up requests were completed.
- Produced a new *Guide to Commercial Greenhouse Pepper Production*.
- 75 business operators attended one-day agri-tourism seminars in four locations. As a result, group marketing co-ops are being formed, and a tourism database is being developed, with 300 tourism operations listed.

Measure # 2

Value of processing of non-traditional commodities and products

Strategy

Support the rehabilitation of irrigation infrastructure and optimal use of water resources allocated to irrigation.

Results

- Continued development of computer modeling tools in partnership with the irrigation districts to allow them to accurately assess potential irrigation expansion with acceptable risks.
- In conjunction with the 13 irrigation districts, established a flow monitoring program to accurately determine inflows and losses (seepage, evaporation, return flow back to the rivers) for selected irrigation districts. A total of 87 return flow monitoring sites have now been established within eight irrigation districts. This information will help the districts identify water use requirements and better determine future irrigation expansion.
- Completed the review, approval and monitoring of irrigation rehabilitation projects proposed by irrigation districts under the $17.2 million Irrigation Rehabilitation Program.

Partnered with Landscape and Nursery Trades Alberta and the Fruit Growers Society of Alberta to research industry structure and marketing benchmark data for fruit and nursery crops.

- Evaluated the condition of 114 rehabilitated projects within the 13 irrigation districts to help Irrigation Council and the irrigation districts ensure that the optimum lifespan of the irrigation infrastructure is achieved. This monitoring is carried out annually on about 10 per cent of the total number of rehabilitated projects completed to date.

Strategy

Encourage development of non-food, nutraceutical and pharmaceutical uses of agricultural products.

Results

- Completed the second year of testing on 12 new medicinal herbs, looking primarily at agronomic suitability.
- Conducted opportunity analysis of new, value added uses of agriculture inputs including the areas of agriculture-food biotechnology, ethanol, nutraceuticals and strawboard.
- Agriculture Financial Services Corporation facilitated investment of $1.8 million in two nutraceutical projects.
- Two infrastructure projects were approved for funding of approximately $2.5 million to support new capital investment of $31 million in value added processing.

Goal 5
Percentage of Ministry operating expenses

77.6%

Ministry Goal #5

Increased capability of industry to manage risk

Measure #1

Results from risk management survey

Strategy

Encourage increased knowledge and skills that develop independence and self-reliance and minimize risk from adverse events.

Results

- Developed a Drought Management web page containing information on mitigating drought at the farm level.
- Farm debt publication completed that outlines the legal implications and creditor actions surrounding farm debt.
- Launched the National Council project on operating agreements and tax planning. This project is an advisor's guide for professional advisors.
- Increased awareness and use of Workers' Compensation as a risk management tool. As a result of a joint information/ awareness program, the Workers' Compensation Board added 70 new agriculture accounts.
- Increased awareness of tools for assessing financial risk and managing risk in succession planning through seminar with Olds College, Royal Bank and UFA: 575 attendees.

Measure #2

Resolution of policies and regulations that increase the risk or constrain industry's ability to manage risk

Strategy

Advocate changes to remove policies and regulations that increase risk or constrain the industry's ability to manage risk.

Results

- Provided recommendations to the Minister regarding changes to Section 33 of the *Surface Rights Act* to remove thresholds that constrain landowners who incur off-site energy related damage.

- Improved the capability of irrigation districts to manage water and assess risks associated with potential water shortages. Through the Year 2000 Irrigation Review, designed and developed a computer model that assesses the economic implications of alternative irrigation expansion scenarios at the farm level.
- Evaluated the performance of the Net Income Stabilization Account, the Farm Income Disaster Program and crop insurance as background information for the negotiations of new provincial and federal safety net agreements.
- Continued to develop unique, specialized financial products and services for the commercialization of new value added businesses:
  - Agriculture Financial Services Corporation (AFSC) developed the Potato Storage System Expansion loan initiative to facilitate partnership lending to new and expanding potato growers.
  - developed a publication on venture financing for agri-business.
- Developed a draft of the Alberta Drought Risk Management Plan that outlines a coordinated approach for government, communities and individuals to decrease their risk due to drought.

Measure #3

Reference margins in Farm Income Disaster Program (FIDP) applications compared to program margins plus program payments

Strategy

Offer Alberta farmers effective and efficient whole-farm safety net programs.

Results

- Agriculture Financial Services Corporation (AFSC) projected FIDP payments of $169 million and has issued over 6,000 payments for $137 million (as of July 13, 2000) for the 1998 claim year and projects payments of $163 million for the 1999 claim year.
- Provided approximately $50,000 in financial assistance to 22 producers suffering from losses due to floods in Central Alberta.
- Changes were made to FIDP during the fiscal year to broaden eligibility, increase payments and eliminate processing and administration fees.
- A low interest loan program, Alberta Farm Income Disaster Loan Program, was implemented in response to disaster situations 1997-1999.

Continued to develop unique, specialized financial products and services for the commercialization of new value added businesses.

Measure #4

Government program payments as a per cent of farm cash receipts

Strategy

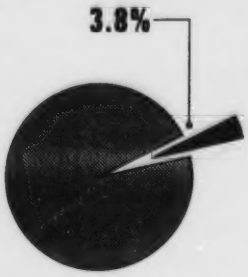
Provide Alberta's agri-industry with unique financial services.

Results

- AFSC authorized $139 million in loans under the Beginning Farmer, Developing Farmer and Alberta Farm Income Disaster programs.
- AFSC provided financial counseling to producers throughout Alberta, with emphasis on the Peace River and Northeastern Alberta regions affected by drought and to hog producers affected by severe revenue decline and Alberta Farm Income Disaster: 6000 contacts.

- AFSC developed and delivered a comprehensive disaster assistance loan program to producers affected by severe weather-related production losses or severe declines in net revenues that financially jeopardize their farming operations. AFSC authorized 300 loans for $23 million and provided financial counseling to 4,400 producers.
- Loan syndication: AFSC facilitated $33.9 million in private sector debt financing in 52 projects.
- Education/Information:
  - completed a risk management directory that provides information on risk management concepts to help farmers build an effective risk management plan and maintain it.
  - offered a balanced package of individual consultation and programming to increase the management capability of producers, rural small business operators and the support industry.
  - launched two agriculture fact sheets on custom work and contract hog finishing.

Goal 6
Percentage of Ministry operating expenses



Measure #5

Variation of net cash income

Strategy

Provide Alberta farmers with an effective and efficient crop insurance program.

Results

- Crop insurance review initiated.
- AFSC provided crop, forage and hail insurance coverage on 16.2 million acres and $1.4 billion of risk.
- AFSC completed the largest transfer of risk to the private re-insurance market for agriculture in the world; the risk transferred was $96 million per year over three years with a $50.8 million budget saving on reinsurance premiums over three years.
- Research of alternative crop insurance and risk management practices is underway by AFSC to allow customers greater flexibility to customize insurance protection to their business needs.

Ministry Goal #6

Improved environmental stewardship

Measure #1

Land productivity index

Strategy

Increase awareness of potential environmental problems and damages caused by unsound management practices.

Results

- Worked with the Alberta Environmentally Sustainable Agriculture (AESA) Council to increase awareness of climate change and greenhouse gases. The AESA Council organized a Greenhouse Gas Forum for the agricultural industry and developed a strategy that will provide guidance for greenhouse gas reduction programs.

Strategy

Improve the knowledge and information of the benefits of improving cropping and grazing practices.

Results

- Provided technical and manpower support directly and through regional and provincial groups and partnerships, such as applied research associations, the Alberta Conservation Tillage Society and the Alberta Reduced Tillage Initiative, to improve the understanding and adoption of conservation tillage, riparian management, direct seeding and nutrient management systems.
- Developed resource materials for producers, municipalities, industry and government that will enable improved environmental best management practices including livestock siting, manure management, integrated pest management, grazing/range management and reduced tillage. Similar environmental guidelines and manuals were developed in cooperation with the pork and cattle feeding industry.

Strategy

Improve adoption of management practices consistent with regulation and codes of practice.

Results

- 94 per cent of reclaimed industrial sites on White Area public lands met the standard. This measure exceeded the 90 per cent certification target.
- Collaborated with Alberta Environment to manage White Area public lands in a sustainable, multiple-use fashion. 2500 allocations were made for oil and gas, industrial, commercial, agricultural and recreational uses.

Strategy

Develop and extend technologies and management practices that protect and enhance soil, water, air and natural resources.

Results

- Information on soil quality, water quality, air quality, greenhouse gases and precision farming that will enhance environmental management practices was developed and transferred through extension activities. There were over 60,000 hits on the Department's Environmentally Sustainable Agriculture internet web page to access current information.
- Partnered with industry and other agencies on various environmentally-related research projects, including evaluating the use of municipal solid waste compost for agricultural production, using sulphur by-products from the processing of sour natural gas and the availability of phosphorus contained in wood ash.

Strategy

Monitor the impact of the agriculture and food industry on soil, water and the larger ecosystem.

Results

- 42 soil quality benchmark sites were monitored to assess the state of soil quality and to determine the risk of change under various management practices. Analytical support was provided to enable information development on economically and environmentally sustainable agriculture systems, using a global information system as a database management tool.

Collaborated with Alberta Environment to manage White Area public lands in a sustainable, multiple-use fashion.

Measure #2

Per cent of tests from a network of monitoring sites in representative agricultural water sheds that meet Alberta/Canada Water quality guidelines

Strategy

Improve adoption of management practices consistent with regulation and codes of practices.

Results

- The Livestock Regulations Stakeholder Advisory Group finalized a framework for the proposed Sustainable Livestock Operations Act, Regulations and Standards Document and presented it to the Minister.
- Through the Nutrient Management Initiative, a curriculum for producers to improve beneficial management practices was developed in cooperation with the Alberta Cattle Commission.

Information that will improve riparian and grazing management as well as watershed protection was developed.

Strategy

Develop and extend technologies and management practices that protect and enhance soil, water, air and natural resources.

Results

- An Alberta Feedlot Management Guide was developed that can be used by feedlot and cow/calf operators to meet their production goals while meeting environmental concerns.
- Initiated the development of standards for sustainable phosphorus application rates on agricultural land, which will enable the agriculture and food processing industries to minimize their impact on water quality.
- Developed a global information system and database for livestock operations that will enable proper planning and record keeping. Partners included the Prairie Farm Rehabilitation Administration, Alberta Environment, Ministry staff and several municipalities.
- Information that will improve riparian and grazing management as well as watershed protection was developed and transferred in partnership with various community groups and the Cows and Fish Program.

Strategy

Monitor the impact of the agriculture and food industry on soil, water and the larger ecosystem.

Results

- Continued to monitor 23 small agricultural watersheds for bacteria, nutrients and pesticides to determine the impacts of the agricultural industry on surface water quality. This work enabled the development of an Agriculture Water Quality Index, which can be used as a measurement tool.
- Completed the second year of the Oldman River Basin Water Quality Initiative to assess all impacts (urban and rural) on the water quality in the basin. As part of the Initiative, completed a land use map, a groundwater vulnerability map and revisions to the Land Classification Standards for irrigated soils in the watershed.

- Completed, in partnership with several government agencies and producers, the assessment of water quality issues within the Crowfoot Creek Basin. Supported the implementation of beneficial management practices by producers within the Crowfoot and Haynes Creek basins to mitigate the agricultural impacts on surface water quality.
- Continued to monitor groundwater quality in the intensive livestock feeding areas of the County of Lethbridge to assess impacts on water quality.

Measure #3

Range sustainability: average per cent utilization of allocated grazing capacity

Strategy

Manage White Area public lands for the long term benefit of the agriculture industry, other industries and the public by maintaining a balance of development, use and conservation.

Results

- Representative sampling and audits on sustainable grazing practices on White Area public lands determined an 84 per cent utilization rate. This rate was within the acceptable target range of 80 to 100 per cent.
- A survey of 430 livestock producers who have participated in Stockmens' Range Management courses over the years showed positive results on ranch management objectives including improved carrying capacities, improved wildlife habitat and restored range conditions.
- A new grazing reserve allotment policy to ensure continued access to new patrons was developed in cooperation with reserve associations. Reserves will operate at optimum utilization of grazing capacity, at full cost recovery and be managed for multiple use.
- A Rangeland Health Assessment Project was initiated in June 1999 to improve the management of Alberta rangelands.
- A draft regulation document required for the recently passed *Agricultural Dispositions Statutes Amendment Act* was developed and released. MLA Dave Broda was subsequently appointed to facilitate a stakeholder review.
- Supported the government's Special Places Initiative. Over 100,000 acres of rangeland were designated as Special Places on public lands in the White Area. Livestock grazing will continue to be used to maintain the grassland ecology.

Ministry Goal #7

Continued excellence in food safety.

Measure #1

Incidence of food safety problems

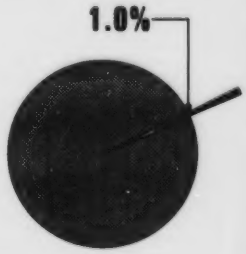
Strategy

Quick response to food safety problems.

Results

- Two food-borne illness outbreaks were successfully dealt with in partnership with the Canadian Food Inspection Agency and Alberta Health and Wellness.
- A draft emergency response plan for food-borne illness outbreaks was presented to Canada Alberta Partners in Food Safety.

Goal 7
Percentage of Ministry operating expenses



- Staff contributed technical expertise at the national and international level through participation on the National Dairy Lab Quality Committee, Meat and Poultry Code and Model Regulations Committee, Canadian Food Inspection System – Implementation Group and the Federal, Provincial, Territorial Agriculture Food Safety Committee.

Measure #2

Per cent of food processing firms that have adopted the Hazard Analysis Critical Control Point (HACCP) program

Strategy

Expand knowledge of food safety.

Results

- 85 companies increased their awareness of HACCP implementation through training delivered by staff and the Alberta Food Processors Association in partnership.
- Enhanced industry knowledge of HACCP principles by training delivered by staff.

Strategy

Develop new knowledge and technology through research and development.

Assisted meat and horticulture industries with technology and information transfer to implement systems to resolve contamination problems.

Results

- Conducted research into bacterial (salmonella and campylobacter) rate of colonization in slaughter pigs. Information to be used to develop strategies to reduce prevalence.

Strategy

Promote adoption of "world class" food safety systems throughout the food chain.

Results

- Assisted more than 60 per cent of red meat and poultry plants in the implementation of specific sanitation protocols.
- Assisted meat and horticulture industries with technology and information transfer to implement systems to resolve contamination problems.

Strategy

Communicate standards for food safety to industry and consumers.

Results

- Provided training on sanitation to all provincially inspected red meat and poultry processing plants.
- Ensured the quality and safety of dairy products through routine inspection and monitoring activities at provincially inspected dairy plants.
- Developed information packages/ brochures for processing industry outlining requirements for quality assurance and HACCP, and provided information on further training.
- Provided animal health, contaminant and residue information that promotes quality and consumer confidence in Alberta food products. Examples include information provided to the media on bovine spongiform encephalopathy and antibiotics in meat and milk.
- Staff were trained on the use of quality assurance as a method to improve the competitive advantage for Alberta producers and processors. Information is being passed on to industry to ensure that "gate-to-plate" safe food production systems are implemented.

Measure #3

Total production from farms that have adopted the HACCP program

Strategy

Promote adoption of "world class" food safety systems throughout the food chain.

Results

- Alberta beef, pork, poultry and horticulture industries, in partnership with the Ministry, have made excellent progress toward the establishment of on-farm quality assurance programs that ensure the supply of safe food to processors.

Strategy

Develop new knowledge and technology through research and development.

Results

- Developed new laboratory methods (DNA fingerprinting and immunological tests) for identifying and tracking disease and disease agents such as salmonella, Johne's Disease, trichomoniasis and neospora.
- Developed analytic methodology to detect antibiotic residues in animal tissues.
- Developed methods to quantify antibiotic resistance of livestock bacteria that have the potential to cause food-borne illness.
- Adapted the use of immunology and chemical staining techniques to identify exposure to infectious agents. Examples include chronic wasting disease and Johne's testing.
- Conducted research into salmonella in mature beef cows, feeder animals and retail hamburger to provide information that can be used to reduce its prevalence.

Strategy

Encourage the implementation of the HACCP program on farms producing horticultural and special crops as well as in food processing plants

Results

- Delivered "train the trainer" courses in HACCP to Ministry staff and the horticulture industry.
- Consulted with Canadian Horticulture Council in the development of on-farm food safety guidelines that are based on HACCP.
- Recruited employees with expertise in safe food systems implementation to guide the adoption of Meat Facilities Standards 2002.

Developed methods to quantify antibiotic resistance of livestock bacteria that have the potential to cause food-borne illness.

Strategy

Foster the implementation of quality assurance programs from production to retailing.

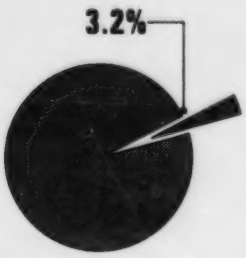
Results

- Promoted safe drug use for production animals through training and certification of approximately 450 employees of 213 Production Animal Medicine Licensees.
- Delivered educational information regarding the correct use of drugs and feed additives in livestock production to producers.

Strategy

Participate with federal, provincial and municipal teams on the development and implementation of an integrated meat inspection system.

Goal 8
Percentage of Ministry operating expenses



Results

- Partnered in federal and provincial food safety initiatives such as the Canadian Food Inspection System Implementation Group and Canada Alberta Partners in Food Safety harmonization of meat and dairy inspection.
- Provided meat inspection services: performed organoleptic inspections on approximately 200,000 beef, hogs and sheep and 3 million poultry at 59 red meat plants and 95 poultry plants.
- Provided dairy farm inspection services: performed inspections on 973 dairy farms and nine provincial dairy plants.
- Provided meat and milk grading services: provincial meat inspectors graded approximately 40 per cent of all hogs and 5 to 10 per cent of all beef slaughtered at provincially licenced plants for Alberta Pork and the Canadian Beef Grading Agency.
- Provided surveillance of animal welfare issues: partnered with the Alberta Society for the Prevention of Cruelty to Animals and Alberta Farm Animal Care Association in surveillance and monitoring of animal welfare issues related to transportation and handling of farm animals.
- Implemented quality assurance programs within the Ministry: international laboratory accreditation programs implemented include:
  a. US Department of Agriculture certification of Food Safety Division laboratories for testing for Johne's Disease.
  b. accreditation of laboratories by Canadian Food Inspection Agency to facilitate honey export by producers.
  c. accreditation of laboratories for testing of powered eggs and other foodstuffs for listeria.

Ministry Goal #8
Improved management of the Ministry's resources

Measure #1
Budget targets met

Strategy

Explore partnership alliances for the better integration of human and fiscal resources.

Results

- The Ministry was involved in many partnerships with other ministries and non-government organizations. Some of these partnerships are referenced under the results of other goals. Further examples:
  - conducted a joint review of meat regulations with Alberta Health and Wellness to eliminate inconsistencies in standards and duplication of services.
  - contracted with the Canadian Food Inspection Agency for the enforcement in federally registered dairy plants in Alberta of requirements under Alberta legislation.
  - partnered with the Alberta Environment and the federal government agency, Prairie Farm Rehabilitation Administration, in the production of the publication *Water Wells that Last*.
  - partnered with Alberta Pork Producers Development Corporation and Olds College to coordinate the delivery of programs to the pork industry.

Measure #1 Budget targets met

Measure #2 Training days per FTE (full time equivalent position)

Measure #3 Results from Staffspeak

Strategy

Improve:

- Business planning and implementation.
- Human resource development planning and programming.
- Fiscal responsibility and accountability.

Results

- 72 (1998-1999 was 48) employees participated in the "Leaders in Agriculture" leadership development program developed with the Banff Management Centre. 44 employees participated in the Face-to-Face Leadership program. This figure is lower than participation in 1998 (60) because enrollment was reduced to 15 persons per session at the instructor's recommendation. 21 employees participated in the Coaching and Mentoring program (1998-1999 was 17).
- 48 employees participated in internal or external developmental secondments (1998-1999 was 50).
- Agriculture Financial Services Corporation recognized staff achievements through its President's Award Program.
- Six of the 28 teams nominated for the Department's sixth annual Group Achievement Awards were recognized for their achievements.
- In response to the Department's work climate survey, 64 per cent (1998-1999 was 62 per cent) of employees said individuals in the department are recognized for product/service innovation and creativity.
- Staff were recipients of two Premier's Silver Awards of Excellence.
  - the Investment Development Branch received a silver award for its efforts to encourage and attract new investment to the agri-food industry by delivering business information and services to prospective processors and investors, primarily outside Alberta.
  - staff participated on the Water Quality Committee that received a silver award for a report that will have far-reaching implications for Alberta's agricultural practices. The report was the result of a five-year study aimed at identifying and monitoring the impact of primary agriculture on Alberta's water resources.
- The Department's Human Resource Development Fund was fully utilized supporting post graduate education, leadership development, technical training, competency development, coaching and mentoring, succession planning and employee recognition. 1,643 training days were supported from the fund.
- Funding assistance was provided in key areas:
  - 22 employees for postgraduate education at both the Masters and Ph.D. level.
  - 500 employees for technical training
  - 1,000 employees for corporate competency training.
- The Ministry's operating result was $67.2 million better than the business plan target adjusted for supplementary appropriations. The Department's actual expenses were $5.5 million under the authorized budget. A full discussion of the financial results appears in the Results Analysis section of this annual report.

The Ministry's operating result was $67.2 million better than the business plan target adjusted for supplementary appropriations.

Agriculture Financial Services Corporation leveraged agri-business lending funds at a ratio of four private sector dollars for every one Corporation dollar.

- Agriculture Financial Services Corporation (AFSC) leveraged agri-business lending funds at a ratio of four private sector dollars for every one Corporation dollar, resulting in 88 value added investment projects in Alberta totaling $64.9 million.
- AFSC generated $127,000 additional revenue by contracting crop insurance adjusters to public and private organizations.
- AFSC was contracted by the British Columbia (BC) government to consult on and administer parts of BC's Whole Farm Insurance Program at full cost recovery.
- The Department and AFSC amalgamated an additional four offices to provide one-stop office service to their clients.
- Improved operational efficiency by implementing web-based computer systems. For example, systems for recording publication revenue, processing procurement card transactions, expense account system, inventorying Ministry assets, tracking ministerial and executive documents as well as monitoring revenues and expenses against budget.

Measure # 3

Results from Staffspeak (staff survey)

Strategy

Provide effective corporate communications to staff.

Results

- In response to the Department's work climate survey, 66 per cent of employees said that department-wide communication has improved over the last year through corporate communiques, etc.
- 76 per cent of employees (1998-1999 was also 76 per cent) said they believe that as an organization, we do a good job of sharing information and ideas with each other. The same percentage of employees said they are being asked for input when decisions are being made that affect their work.

Measure #4

Results from client survey

Strategy

Ensure Ministry's priority activities and outputs are met.

Results

- The Farm Income Assistance Program was implemented and changes were made to both the Farm Income Disaster Program and the Alberta Farm Income Disaster Loan Program to provide emergency support to farmers who suffered income losses.
- The project to rewrite and integrate Agriculture Financial Services Corporation insurance systems is nearing completion. When the project is completed, clients will be able to access the systems and process transactions electronically.
- Implemented the Ministry's plan to prevent computer miscalculations or system failures due to the year 2000 issue. The integrity of the Ministry's information technology infrastructure was maintained, and there were no disruptions in services to customers.

- A new, short form application for the Farm Income Disaster Program was introduced that enables farmers to complete their applications without the assistance of an accountant. Processes for verifying applications were streamlined, resulting in reduced processing times and lower administration costs.
- An independently conducted client survey by Alberta Opportunity Company showed a 78 per cent satisfaction rate with the Company's services.
- 95 per cent of farm lending clients who responded to a client survey rated the Agriculture Financial Services Corporation's service as good or excellent.

Strategy

Continue to enhance knowledge and information through knowledge management.

Results

- Established a Knowledge Management unit following the evaluation of a pilot project conducted in the previous year. Two knowledge management computer applications, *Who the Heck Knows* and *Ask the Expert*, are in place that enable staff with questions to quickly identify other staff with specialized knowledge who can help in serving client needs. Over 30 knowledge management project ideas have been proposed since the unit was established.
- Introduced a knowledge and information sharing competency for staff performance evaluations.

Strategy

Integrate planning and program development with other Ministries.

Results

- The Ministry was involved in a number of planning and program development activities with other ministries. For example:
  - in conjunction with the Energy Utilities Board and Alberta Environment, the Farmers' Advocate provided assistance from one source to landowners with operational and reclamation concerns on energy facilities.
  - information technology specialists from the Ministry were chosen to be part of the technology team providing support for the Alberta Pavilion at the 2000 World's Fair in Hanover, Germany.
  - worked with Alberta Environment and Alberta Innovation and Science in the evaluation of the feasibility of implementing a new government-wide computer desktop support system.
  - partnered with Alberta Learning in the delivery of the Green Certificate Farm Training Program.
  - worked with Alberta Environment on the Year 2000 Review Assessment of Water Allocation in the South Saskatchewan River Basin.

An independently conducted client survey by Alberta Opportunity Company showed a 78 per cent satisfaction rate with the Company's services.

AUDITOR GENERAL
Alberta

REPORT OF THE AUDITOR GENERAL ON THE RESULTS OF APPLYING SPECIFIED AUDIT PROCEDURES TO PERFORMANCE MEASURES

To the Members of the Legislative Assembly:

I have performed the following procedures in connection with the Ministry of Agriculture, Food and Rural Development's performance measures included in pages 47 to 56 of the *1999-2000 Annual Report of the Ministry of Agriculture, Food and Rural Development.*

1. Information obtained from an independent source, such as Statistics Canada, was agreed with the information supplied by the stated source. Information provided internally was agreed to the reports from the systems used to develop the information.
2. The calculations that converted source information into reported measures were tested.
3. The appropriateness of the description of each measure's methodology was assessed.

As a result of applying the above procedures, I found no exceptions. However, these procedures do not constitute an audit of the set of performance measures and therefore I express no opinion on the set of performance measures included in the *1999-2000 Annual Report of the Ministry of Agriculture, Food and Rural Development.*

Peter Valentine
FCA
Auditor General

Edmonton, Alberta
August 24, 2000

Ministry Measures

Background

Alberta has continued to enjoy economic prosperity in the last several years. Key contributors to this prosperity are the agriculture and food industries in the province.

Primary agricultural production remains Alberta's largest renewable resource-based industry. The primary agriculture sector generated $6.55 billion in farm cash receipts in 1999, which represents 21.5 per cent of Canada's primary agricultural output. Alberta farm cash receipts continue to increase relative to other provinces. During the benchmark period 1989 to 1993, Alberta averaged 20.1 per cent of Canada's primary output.

Secondary agricultural processing includes the food and beverage processing industries and is a key segment of Alberta's manufacturing sector. A new record for shipments was set in 1999 at $7.8 billion in sales. At present, approximately 12.9 per cent of Canadian food and beverage shipments are from Alberta, up from 10.9 per cent over the 1989 to 1993 benchmark period.

Primary agriculture and the food and beverage manufacturing industries combined comprise the third largest goods producing employer in Alberta in 1999. During 1999, employment numbers in the agriculture and food sectors averaged 101,500.

The data shown in the following performance measures is the most current available. Some level of uncertainty exists in each of the measures since the data represented primarily reflects results from sample surveys.

Revisions to past years' measures may occur over time as better or more complete data becomes available. For example, every five years a census of agriculture is done. The data from each new census taken may result in revisions to data from the previous census. All data revisions to past years' measures, and to the benchmarks from the 1999-2000 to 2001-2002 Ministry business plan, are included in this report.

Alberta farm cash receipts continue to increase relative to other provinces.

Benchmark periods for these performance measures are used for comparative purposes and are averages for 1989 to 1993, unless otherwise specified. This time frame was chosen as it represents the typical agricultural output for Alberta for the last three decades. No major weather or price-related problems affected this period.

Performance Measures

Measure 1.

Percentage of Canadian farm cash receipts Alberta farmers and ranchers account for

Farmers and ranchers receive income from the sale of agriculture products. This income is called farm cash receipts. Measure 1 shows how well Alberta farmers and ranchers are doing relative to the other Canadian farmers and ranchers they have to compete against.

Affects Ministry Goals

- records, in part, successes in achieving Ministry goals:

1. Improved access to domestic and world market opportunities.

2. Improved competitiveness of industry commodities, products and services.
3. Increased amount of value added to industry commodities, products and services.

Because Alberta farmers and ranchers operate within the same general rules and regulations as most other Canadian farmers, the measure of Alberta's share of Canadian farm cash receipts shows, by comparison, how competitive Alberta farmers and ranchers are relative to other Canadian farmers. Alberta Agriculture, Food and Rural Development plays a major role in helping Alberta farmers and ranchers stay competitive, not only with other Canadian farmers but also on a world scale.

Benchmark

The average farm cash receipts for 1989 to 1993 form the benchmark for comparative purposes. This time frame represents a period of relatively typical agricultural output for Alberta. Alberta farmers and ranchers averaged 20.1 per cent of Canadian farm cash receipts during the benchmark period. The forecast in the 1999-2000 to 2001-2002 Ministry business plan was that this percentage would increase to 22.3 per cent by 1999.

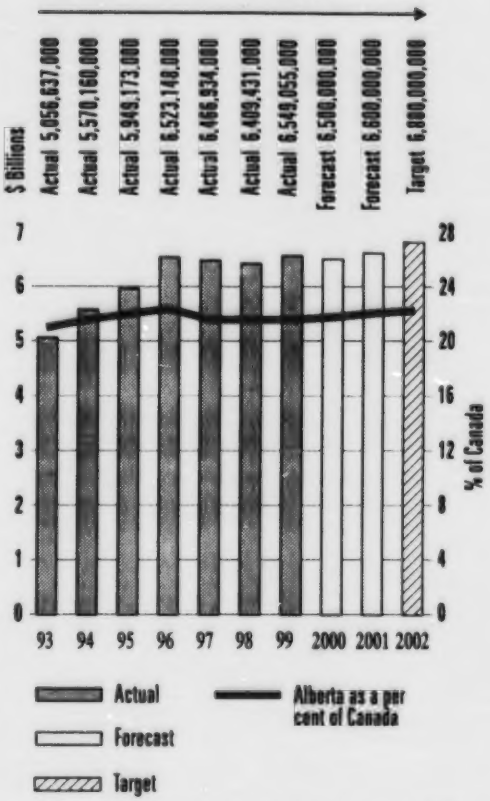
Results

The actual measure for 1999 was 21.5 per cent, and although 1999 was considered typical for crop production, continued poor commodity prices for crops resulted in lower incomes. Cash receipts from the sales of crops in 1999 decreased by $194 million from 1998, down $277 million from the five-year period 1994-1998.

Farm cash receipts from livestock in 1999 set a new record at $3.98 billion. Receipts were up by nearly $338 million (9.3 per cent) over 1998.

Measure 1

Alberta farm cash receipts



Derived from: Statistics Canada Cat. No. 21-603-UPE; Alberta Agriculture, Food and Rural Development

Measure 2.

Net cash income of Alberta farmers and ranchers

Net cash income is the amount of cash farmers and ranchers have remaining after their farm cash operating expenses are subtracted from their farm cash receipts. Operating expenses do not include either depreciation or the value of inventory change. Net cash income is the amount of cash remaining that is used to cover the non-interest part of mortgage payments, purchase

capital items, meet living expenses, accumulate savings and cover other non-farm expenses. This measure reflects how well farmers and ranchers are coping with the cost-price squeeze caused by higher input costs and lower returns.

Affects Ministry Goals

- records, in part, successes in achieving Ministry goals:

1. Improved access to domestic and world market opportunities.
2. Improved competitiveness of industry commodities, products and services.
3. Increased amount of value added to industry commodities, products and services.
5. Increased capability of industry to manage risk.

Benchmark

The benchmark for comparative purposes, the average net cash income for 1989 to 1993, represents a period of relatively typical agricultural output for Alberta. Farmers and ranchers in Alberta averaged 19.3 per cent of Canadian net cash income during that period. The forecast in the 1999-2000 to 2001-2002 Ministry business plan was that this percentage would increase to 25.6 per cent by 1999.

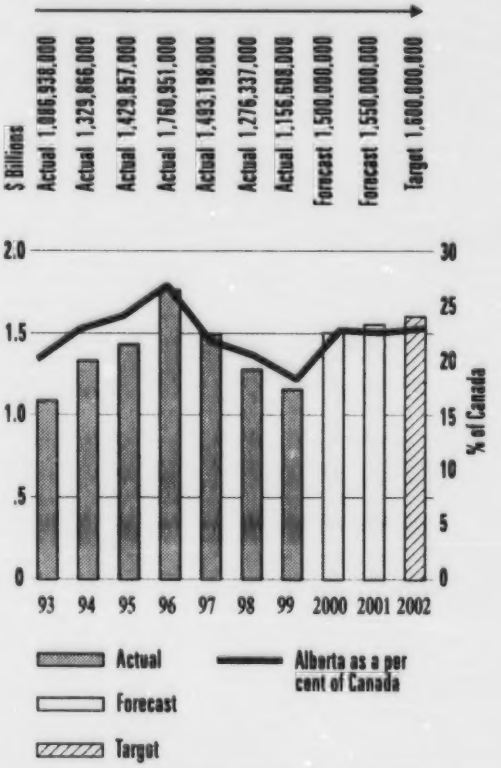
Results

Net cash income at $1.16 billion was below the 1998 level of $1.28 billion. Expressed as a per cent of Canada, Alberta net cash income decreased to 18.2 per cent, down from 20.4 per cent in 1998 and significantly below the 1994-1998 average of 23.2 per cent. Continued declines in crop commodity prices and increased input costs (fuel and fuel derivatives such as fertilizers) that have occurred over the past two years were not forecast by market analysts. Total cash operating costs increased by nearly 5.1 per cent in 1999, compared with 1998.

- **NOTE** – The second macro measure "Government program payments to Alberta farmers and ranchers," which appears in the 1998-1999 to 2000-2001 Ministry business plan was replaced in the 1999-2000 to 2001-2002 business plan by the macro measure "net income of Alberta farmers and ranchers." This change was made to better reflect the amount of cash Alberta farmers and ranchers had remaining after they paid cash expenses. Net cash income is defined in the text above. Government program payments became part of the results for Ministry Goal 5, "increased capability of industry to manage risk."

Measure 2

Alberta net cash income



Derived from: Statistics Canada Cat. No. 21-603-UPE; Alberta Agriculture, Food and Rural Development

Measure 3.

Percentage contributed by Alberta's food and beverage industry of Canada's total value of shipments

Sales revenue received by Alberta's agri-business processing and manufacturing firms is called value of shipments. This measure illustrates how Alberta businesses are doing relative to others across Canada in international markets as well as in Canadian markets.

Affects Ministry Goals

- records, in part, successes in achieving Ministry goals:

1. Improved access to domestic and world market opportunities.
2. Improved competitiveness of industry commodities, products and services.
3. Increased amount of value added to industry commodities, products and services.
4. Increased diversity of markets and industry commodities, products and services.
5. Increased capability of industry to manage risk.

Benchmark

During the benchmark period 1989-1993, Alberta averaged 10.9 per cent of Canada's food and beverage shipments. The continued increase in total value of shipments from Alberta's food and beverage industries relative to those in other provinces is demonstrated by the growth in Alberta's share to 12.9 per cent in 1999, short of the forecast 14.1 per cent.

The value of shipments for the 1989-1993 benchmark period was $4.87 billion, on average. This period was selected as a representative period when Alberta's agri-food industry was relatively stable.

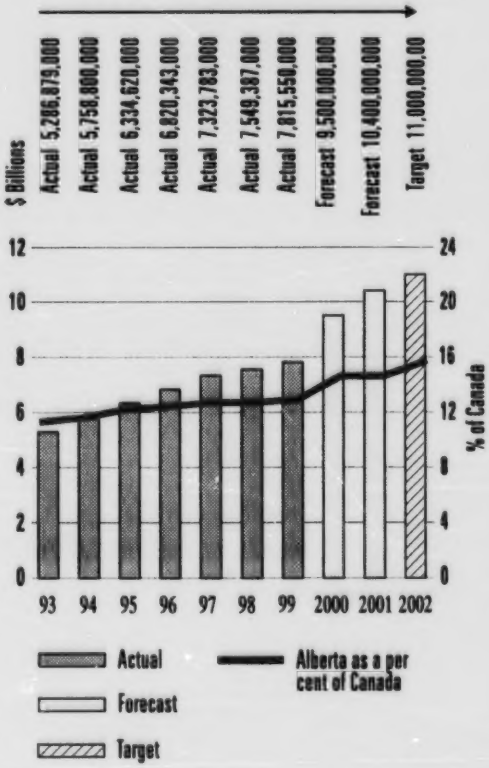
Results

Shipments for 1999 were $7.8 billion, up 60.6 per cent from the benchmark. While 1999 shipments are 5.8 per cent less than the Ministry's forecast of $8.3 billion, shipments for 1999 exceeded those for 1998 by 3.5 per cent. Generally lower commodity prices on world markets resulted in lower value of shipments from Alberta's food and beverage industries.

Shipments are targeted to reach $11.0 billion by 2002. This target reflects the forecast for the value of food and beverage shipments for Alberta to increase at an ever growing rate over the next several years.

Measure 3

Food and beverage value of shipments



Derived from: Statistics Canada Cat. No. 31-203-XPB for 1989-1997 and No. 31-001-XPB for 1998 and 1999; Alberta Agriculture, Food and Rural Development

Measure 4.

Value of shipments of agriculture and food products from Alberta

Alberta agriculture and food firms' success in trade, that is shipping agriculture and food products out of Alberta to other provinces and other countries, is shown by this measure.

Affects Ministry Goals

- records, in part, successes in achieving Ministry goals:

1. Improved access to domestic and world market opportunities.
2. Improved competitiveness of industry commodities, products and services.
3. Increased amount of value added to industry commodities, products and services.
4. Increased diversity of markets and industry commodities, products and services.
5. Increased capability of industry to manage risk.
6. Improved environmental stewardship.

Alberta agriculture and food firms continue their success in marketing agriculture and food products to other provinces and countries. Alberta's relatively small population compared to the size of its agriculture and food production capacity means only a few Alberta firms market their products within the province. The rest of Alberta production must compete in an aggressive world market.

Alberta's food and beverage industries are supported by Ministry staff, whose work involves helping those in the industry remain competitive in their respective marketplaces. Ministry strategies in this regard include the following:

- increase competitive intelligence, strategic market information and knowledge for use by industry accessing market opportunities
- strengthen industry capabilities and skills in responding to international trade disputes and/or help overcome trade constraints
- support industries' work in improving market opportunities through trade negotiations
- develop and advocate policies that improve market access

Benchmark

The 1989-1993 benchmark period average for these value of shipments to other provinces and countries from Alberta was $4.16 billion.

Results

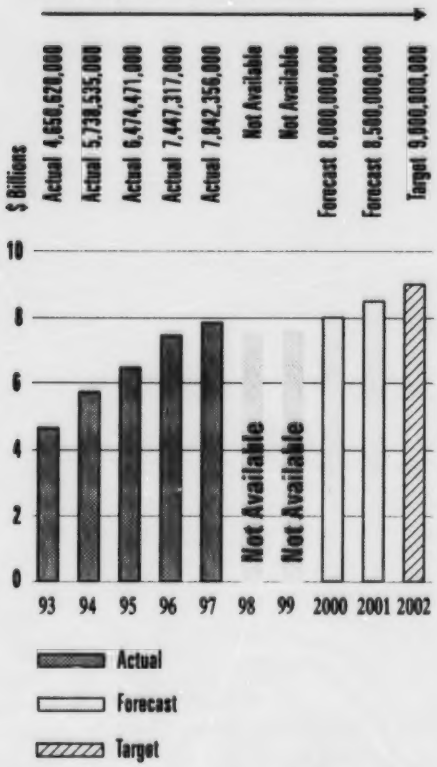
An increase in out-of-province shipments occurred since the benchmark period as a result of the growth in the agriculture and food sector. The benchmark was exceeded by over $3.68 billion in 1997: the last date these figures were produced. The statistics used to calculate inter-provincial shipments are no longer available.

In 1999, out-of-country shipments equaled $4.59 billion.

Out-of-country exports also increased from the benchmark period. Over the period 1989 to 1993, out-of-country shipments of agriculture and food products averaged $2.7 billion. In 1999, out-of-country shipments equaled $4.59 billion. Next year's annual report will show forecasts and targets for out-of-country shipments from Alberta.

Measure 4

Out-of-province shipments



Derived from: Alberta Agriculture, Food and Rural Development

Measure 5.

Importance of Alberta agriculture, food and beverage industries relative to Alberta's gross domestic product

Alberta's largest renewable resources are the agriculture, food and beverage industries. Comparing this industry sector to other sectors in the Alberta economy illustrates its growth and potential.

Affects Ministry Goals

- records, in part, successes in achieving Ministry goals:

1. Improved access to domestic and world market opportunities.
2. Improved competitiveness of industry commodities, products and services.
3. Increased amount of value added to industry commodities, products and services.
4. Increased diversity of markets and industry commodities, products and services.
5. Increased capability of industry to manage risk.
6. Improved environmental stewardship.

Approximately one out of every three jobs in Alberta is either directly or indirectly affected by these industries, making the multiplier effect of the agriculture, food and beverage industries quite dramatic. As such, the per cent of gross provincial product contributed by these industries helps, in part, to show the effectiveness of policies and programs that affect these industries.

This industry sector will continue to grow if policies and programs all have either a neutral or positive effect on the growth of the agri-food industry. Ministry staff have a continuing role in ensuring programs and policies have a positive effect on different aspects of the agri-food industry.

Benchmark

The agri-food industry contributed, on average, 5 per cent of the provincial gross domestic product for Alberta during the period 1994-1998. The benchmark average for the period 1989-1993 was 4.6 per cent.

Results

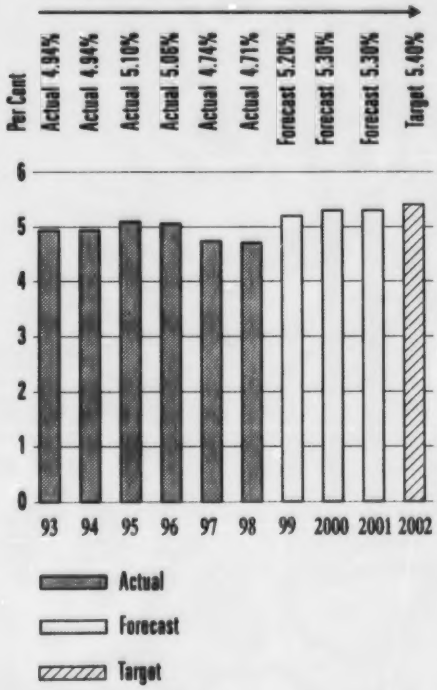
The forecast for 1998 was 5.1 per cent. Preliminary estimates for 1998 suggest the level to be 4.7 per cent, 0.4 percentage points under the forecast. Current figures for 1999 were not available in time for the production of this annual report.

Prices for natural gas and oil have continued strong and have correspondingly increased the total provincial gross domestic product. Continued lower commodity prices for crops have reduced the overall impact agriculture and food industries have on the Alberta economy.

The projection is that the agri-food industry will account for 5.4 per cent of the provincial gross domestic product by 2002.

Measure 5

Contribution to provincial gross domestic products



Derived from: "Alberta Economic Accounts 1998," Alberta Treasury; Alberta Agriculture, Food and Rural Development

Measure 6.

Employment in agriculture and food

Changes in the level of employment in the agriculture, food and beverage manufacturing industries are shown by this measure. This group of industries was the third largest goods producing employer in the province in 1999.

Affects Ministry Goals

- records, in part, successes in achieving Ministry goals:

1. Improved access to domestic and world market opportunities.
2. Improved competitiveness of industry commodities, products and services.
3. Increased amount of value added to industry commodities, products and services.

Benchmark

The benchmark average (1989-1993) for employment in the primary sector was 95,700 (revised from last year's figure of 86,200 due to revised codes as to what is considered agri-food/farm industries) while the average employment level for that same benchmark period in the food and beverage sector was 18,100. Benchmark employment for the two sectors totaled 113,800.

Results

Total employment averaged 101,500 during 1999, composed of 82,500 in primary agriculture and 19,000 in the food and beverage industry.

Employment in primary agriculture has continued to vary over the period since 1989. The level peaked at 98,700 in 1991 and dropped back to 89,200 in 1997, increased slightly in 1998 but further decreased to

82,500 in 1999. Continued low farmer net incomes significantly affected farm and ranch employment opportunities, and weakened the need to hire additional agriculture workers.

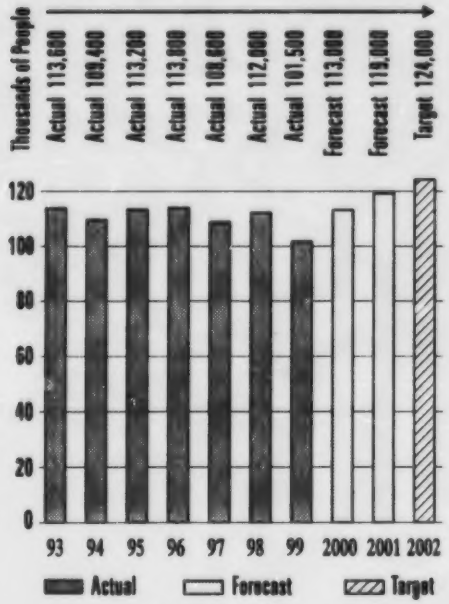
Employment in the food and beverage side did not fluctuate as much. The change has been from a low of 16,800 in 1992 to a high of 20,400 in 1998. Employment in the food and beverage industry in 1999 averaged 19,000, above the benchmark average.

When compared to any other major industry sector in Alberta, the agriculture, food and beverage industries continue to maintain a very low level of unemployment.

The employment targets set for 2002 are 98,000 in agriculture and 26,000 jobs in food and beverage. Over the long term, growth in both sectors will result in additional employment.

Measure 6

Employment in agriculture and food



Derived from: Statistics Canada, Historical Labor Force Survey #71-001; Alberta Treasury

Measure 7.

Changes in long term land productivity, as recorded in annual crop output, are illustrated by this measure. Although year-to-year changes in productivity occur due to weather, the longer term average is used to show trends.

Affects Ministry Goals

- records, in part, successes in achieving Ministry goals:

2. Improved competitiveness of industry commodities, products and services.
6. Improved environmental stewardship.

The balance between nutrients removed by crops and replaced by fertilizers and manure ensures the land productivity and sustainability of agriculture in Alberta. Long term crop production is an excellent proxy for land productivity.

Benchmark

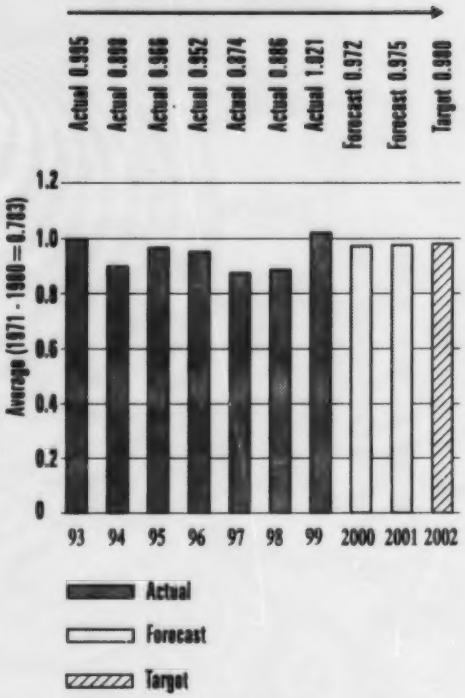
There has been as steady growth in crop production in Alberta over the past 50 years. This index shows the crop production increase relative to the 1971-1980 benchmark.

Results

Ministry work with farmers and ranchers has, in part, contributed to the overall increase in crop output over time. The index for 1999 at 1.021, up significantly from the forecast 0.970, not only recorded this effort, but it also partially recorded the generally favorable crop production year. While weather will continue to affect the year-to-year level, results for 1999 show that total output can exceed the target level anticipated.

Measure 7

Land productivity index



Derived from: Statistics Canada Catalogue No. 22-002-SPB (data for calculations); Alberta Agriculture, Food and Rural Development (calculations)

Future Challenges

The Ministry's macro measures show changes at the industry and Ministry level. As such, these measures record, in part, both the direct and indirect effects the Ministry has on the ongoing development of the agriculture and food industries in Alberta. However, a number of significant influences that affect Alberta's agriculture and food industries remain beyond the role and scope of Ministry programs or staff.

Major influences on Alberta's agriculture and food industries:

Weather

Weather has a major effect on the production of agriculture commodities in Alberta. A look at crop insurance payments to farmers will show the variance this factor can introduce. Back in 1985, widespread drought caused crop insurance pay-outs to increase to $251 million. However in 1999, pay-outs were $72.3 million.

The Ministry's macro measures dealing with farm cash receipts and net cash income record these weather impacts. Projections for these measures are based on long term averages based on normal weather conditions.

Federal Government Programs and Policies

Federal government programs and policies continue to affect the future growth of Alberta's agriculture and food industries. Bringing about the reduction or removal of impediments inherent in federal programs and policies requires the ongoing work of Ministry staff in conjunction with their federal counterparts. For example, Alberta farmers marketing their grain continue to be affected by grain transportation and marketing constraints and regulations.

To address some of these joint concerns, federal and provincial safety net programs and policies are currently under review. As part of this review, Alberta will complete a crop insurance review during 2000, and changes to the current program are anticipated.

Crucial to Alberta agriculture and food industries are markets in other countries.

The level of the Canadian dollar relative to the US dollar, while beneficial to international exports leaving Alberta, has meant continued increases in input costs, particularly for those items imported from the US. The majority of the machinery, equipment and agricultural chemicals used on Alberta farms and ranches come from US manufacturers. However, an increase in the value of the Canadian dollar means a concern for Alberta exporters.

Government Programs and Policies of Other Countries

Crucial to Alberta agriculture and food industries are markets in other countries. For this reason, Alberta industries are significantly affected by existing and future programs and policies in other countries. For example, trade wars among the US and European countries will continue to have an adverse effect on the amount and value of Alberta exports.

The international demand for agriculture commodities changes constantly and significantly. These alterations are partially due to changes in government programs and policies in other countries. As a result, Albertans representing agriculture and food industries must continue to search for new markets. Without new markets, the forecast potential for projected future growth levels will not occur.

Consumer Tastes, Social Norms and/or Standards

Alberta's strong reliance on the exporting of agriculture and food products means that changes in consumer tastes and demand can result in significant challenges for the industry sector. It is not simply a matter of marketing what is grown. Rather, it is knowing what the market is demanding and producing accordingly.

The food product industry faces a special challenge in that changing consumer demands often require significant lead time for research and development. For example, the move from producing rapeseed to canola took more than ten years to complete. Consumer tastes can and do change a lot faster in today's fast-paced society.

Societal norms can drive significant changes in how agriculture and food industries may produce food and animal products, both in Canada and around the world. Issues around animal welfare, the environment, biotechnology and additional resource issues such as air, land and/or water will continue to affect the future direction of agriculture and food in Alberta.

The globalization of agriculture markets puts Alberta producers and manufacturers at greater risk with regard to changing views, concerns and beliefs on what foods are safe and which ones are not. In some cases, science cannot overcome beliefs and values where food safety issues are concerned.

Discussion of Results and Performance

Results of financial operations

For the Ministry, consolidated revenues in 1999-2000 were $454 million, which is a $91 million increase from 1998-1999. Consolidated expenses increased to $832 million. This is $293 million higher than in 1998-1999. The net result was an excess of expenses over revenues of $378 million, which is $202 million higher than in 1998-1999 and $125 million higher than budget.

Revenues

Revenues increased by 25 per cent from the previous year. They were up $91 million from last year and $92 million higher than budget.

The main reason for revenues exceeding budget was that transfers from the Government of Canada were $72.8 million higher than anticipated. Transfers were higher because the receipt of contributions resulting from enhancements to the Farm Income Disaster and Agriculture Income Disaster Assistance Programs, retroactive to the 1998 tax year, were not fully anticipated in the budget. Restricted revenue and quota exchange receipts were $14.6 million higher than budget because anticipated reductions in cash flows associated with the program did not occur. Restricted revenue and quota exchange receipts are offset by restricted expenses and quota exchange payments.

Highlights of the revenue picture include the following:

- Internal government transfers increased by $31.2 million in 1999-2000. A number of programs funded by the Department (General Revenue Fund) in 1998-1999 were funded via transfers from the Lottery Fund in 1999-2000. Transfers from the Lottery Fund are reported as internal government transfers.
- Interest and investment income was $3.1 million higher than last year. Investment income was $1.9 million higher as surplus balances in the Hail and Crop Insurance Funds were higher than anticipated due to lower than budgeted crop losses. Interest income increased by $1.2 million due to increases in the loan portfolios.
- Premiums from insured persons were $5.3 million lower than budget and $4.1 million lower than 1998-1999 premiums. The variance was primarily due to variations in the value and coverage of crops insured.
- Transfers from the Government of Canada were $56.7 million higher than last year. Transfers for the Farm Income Disaster Program were $54.9 million higher due to the introduction of enhancements to the provincial and federal programs made retroactive to the 1998 and 1999 tax years. Federal funding for the crop insurance program was $1.8 million higher than budget.
- Fees, permits, licenses and other income increased by $0.7 million from the previous year and were $8.9 million higher than budget. The variance from budget was due to increased publications and surface rights land lease revenue as well as the collection of revenues associated with dedicated revenue initiatives undertaken in partnership with industry sponsors.
- Restricted revenue and quota exchange receipts increased by $3.5 million from last year. Anticipated reductions in program activities did not materialize. These revenues are funds collected in the operation of price equalization pools or under various agreements and are restricted contributions subject to externally imposed stipulations that specify the purpose for which the funds are to be used. The increase in revenue was offset by a corresponding increase in restricted expenses and quota exchange payments.

The main reason for revenues exceeding budget was that transfers from the Government of Canada were $72.8 million higher than anticipated.

Expenses compared to budget

Expenses were $217 million higher than budget. Expenses were higher than budget primarily because of the introduction of Farm Income Support Program enhancements and the Farm Income Assistance Program 2000. These increases were offset partially by lower than anticipated expenses of $33.6 million for insurance programs.

Expenses were higher than budget primarily because of the introduction of Farm Income Support Program enhancements and the Farm Income Assistance Program 2000.

- Farm income support expenses were $231 million over budget. These expenses included claims paid under the Farm Income Disaster Program (FIDP) and the Farm Income Assistance Program (FIAP) 2000. Payments under FIDP were $99.6 million over budget due to the implementation of program enhancements retroactive to the 1998 tax year. FIAP expenditures were $131.4 million. These increases in expenditures were authorized by a supplementary estimate. The overexpenditures were partially offset by underexpenditures in the wildlife damage program.
- Insurance expenses were $33.6 million lower than budget because of reduced participation in the programs and a reasonable crop year resulting in lower than anticipated indemnities. The budget for indemnities is based on long term averages.
- Anticipated reductions in restricted expenses and quota exchange payments were not achieved. As a result, these expenditures were $15.2 million greater than budget. However, these increases were offset by a corresponding increase in restricted revenue and quota exchange receipts.
- Industry development and planning and competitiveness expenditures exceeded budget by $3.5 million, primarily as a result of higher manpower costs for salary increases and achievement awards.
- Farm Fuel Distribution Allowance expenditures were $0.7 million lower than budget, resulting from slightly lower sales volumes of farm fuel.
- Sustainable agriculture incurred upgrading costs for Livestock Identification Services computer systems and increased manpower costs for salary increases and achievement awards, resulting in expenditures of $3.3 million more than budget.
- Infrastructure assistance expenditures were $7.1 million higher than budget as additional funding was provided to support new irrigation projects, partially offset by municipal wasterwater project underexpenditures of $3 million.
- Lending expenses were $1.3 million greater higher than budget due to increases in the loan portfolios partially offset by lower interest rates.
- Development funding was $1.9 million lower than budget because expenditures budgeted for the Food Processing Development Centre expansion project and the Ag Summit did not occur prior to March 31, 2000.
- Ministry support services expenditures incurred were $0.6 million higher than budget as a result of higher than anticipated grant payments to landholders for the *Surface Rights Act.*
- Public Land Management expenditures were $1.9 million lower than budget. Grazing Reserves program underexpenditures of $0.4 million were due to a reduced need to address multiple use issues in some regions and the delay of the construction of a creek crossing on the Manning reserve. Remaining underexpenditures were due to miscellaneous savings in the Public Land Management Program.

- Valuation adjustments were $4.5 million higher than budget due to write-offs resulting from commercial loans defaults and increased provisions associated with Surface Rights receivables, vacation pay and guarantee provisions.
- Debt servicing costs were $8.1 million lower than budget resulting from decreases in lending rates.

Expenses compared to 1998-1999

Expenses increased in 1999-2000. They were up $293 million from last year. Highlights of the spending picture for 1999-2000, as compared to 1998-1999, are as follows:

- Farm income support expenses were $307.7 million higher than those in 1998-1999. These expenses include Farm Income Assistance Program 2000 expenditures of $131.4 million and Farm Income Disaster Program (FIDP) enhancements totalling $176.3 million. The FIDP enhancements were retroactive to 1998.
- Insurance expenses were $41.2 million lower than 1998-1999 because of reduced participation in the programs and lower than anticipated crop losses.
- Restricted expenses and quota exchange payments were $3.5 million greater than 1998-1999 due to an increase in contributions received for the milk price equalization pool.
- Farm Fuel Distribution Allowance expenditures were $0.5 million higher than 1998-1999 due to higher sales volumes of farm fuel.
- Sustainable agriculture incurred upgrading costs for Livestock Identification Services computer systems and increased manpower costs for salary increases resulting in expenditures of $0.6 million more than 1998-1999. These increases were offset by savings in the industry development and planning and competitiveness sectors resulting from program realignment.
- Infrastructure assistance expenditures were $3.0 million lower than 1998-1999 due to a reduction in the number of municipal wastewater projects in 1999-2000, partially offset by an increase to support new irrigation projects.
- Lending expenses were $3.3 million higher than 1998-1999 budget due to increases in the loan portfolios partially offset by lower interest rates.
- Development funding was $14.8 million greater than 1998-1999 due to one-time additional grants in 1999-2000.
- Ministry support services incurred expenditures of $1.5 million higher than 1998-1999 as a result of higher than anticipated grant payments to landholders for the *Surface Rights Act* and increased manpower costs for salary increases.
- Public Land Management expenditures were $1.1 million greater than 1998-1999 due to the realignment of resources to deliver protected areas management and range sustainability, as well as to cover volume increases due to increased demand for public land.
- Valuation adjustments were $9.2 million higher than 1998-1999 reflecting the increased risks related to farm income such as poor crop yields, disaster in the hog industry and low commodity prices.

Farm income support expenses were $307.7 million higher than those in 1998-1999.

- Debt servicing costs were $4.4 million lower than 1998-1999 due to lower borrowing rates in 1999-2000.

Performance Measures

Here is a summary discussion of the comparison of actual results against the forecasts for each of the Ministry's seven macro performance measures. The forecasts appeared in the 1999-2000 to 2001-2002 business plan prepared in late summer 1998.

Measure 1

- Alberta's farm cash receipts (FCR) were forecast to be $6.64 billion for 1999. FCR for 1999 were $6.55 billion, down close to $90 million or 1.3 per cent under the forecast. Continued low crop commodity prices resulted in lower than expected crop receipts even though 1999 was, overall, an excellent production year.
- Alberta's FCR were forecast to be 22.3 per cent of the total Canadian FCR in 1999. Lower receipts resulted in Alberta accounting for 21.5 per cent of Canadian FCR, which is 0.8 percentage points below the forecast.

The value of Alberta's shipments from food and beverage industries increased over $266 million from 1998 to 1999.

Measure 2

- The forecast for Alberta's net cash income (NCI) at $1.71 billion for 1999 was $556 million above actual net cash income for 1999. Lower receipts combined with increased cash operating costs significantly reduced NCI for 1999. Similarly, the forecast that Alberta would account for 25.6 per cent of Canadian net cash income was not met. Alberta accounted for only 18.2 per cent of the Canadian NCI. Those provinces with the predominance of supply managed commodities fared far better in 1999. Most of the supply managed commodities can receive adjustments to price based on input costs, and as input costs increase, so do farm cash receipts.

Measure 3

- The total value of shipments from Alberta's food and beverage industries for 1999 was $7.8 billion, which fell 5.8 per cent short of the forecast $8.3 billion. Lower world commodity prices mean lower export prices, which translates directly into lower revenue. The percentage of Canada's total value of shipments contributed by Alberta's food and beverage industries for 1999 was 12.9 per cent, short of the forecast 14.1 per cent. Although Alberta's food and beverage industries are expanding, they have not been expanding at the rate expected when the forecast was developed. It is noteworthy that the value of Alberta's shipments from food and beverage industries increased over $266 million from 1998 to 1999.

Measure 4

- The most recent actual data available for the value of shipments of agriculture and food products from Alberta to other provinces and countries is for 1997. The statistics used to calculate inter-provincial shipments are no longer available. However, international export data indicates that Alberta agriculture, food and beverage industries continue to increase their exports, both in the volume of products as well as in the value.

Measure 5

- The importance of Alberta agriculture, food and beverage industries relative to Alberta's gross domestic product has remained below 5.0 per cent. While the forecast for 1999 was 5.2 per cent, up from previous levels, the current estimate puts the figure at 4.7 per cent, 0.5 percentage points below the forecast. Overall, world prices for natural gas and oil continue to push Alberta's gross domestic product up faster than any forecasters had projected in 1998, when the estimates for gross domestic product were forecast.

Measure 6

- Alberta agriculture and food industries' employment has not kept pace with expectations. The forecast for 1999 was for the total employment to reach 109,000 Albertans. Significant decreases in employment in primary agriculture combined with a slight decline in employment in food processing resulted in actual employment of only 101,500. Employment in primary agriculture dropped back to 82,500 in 1999, down from 91,600 in 1998 and the high of 98,700 reached in 1991.
- At 19,000 in 1999, the employment level in the food and beverage industries was down from the peak of 20,400 in 1998.

Measure 7

- The Alberta land productivity indicator was forecast to reach 0.970 in 1999. The indicator was 1.021 in 1999, up significantly from the forecast. Generally favorable weather resulted in an overall output increase in most crops. As a result, the 1999 indicator was well above the longer term.

Section 1

Financial Information

Financial Statements

AUDITOR GENERAL *Alberta*

AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the consolidated statement of financial position of the Ministry of Agriculture, Food and Rural Development as at March 31, 2000 and the consolidated statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the management of the Ministry. My responsibility is to express an opinion on these consolidated financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Ministry of Agriculture, Food and Rural Development is required to follow the corporate government accounting policies and reporting practices as disclosed in Note 3. These accounting policies have been established by Alberta Treasury and are consistent across ministries. With certain exceptions, the basis of accounting is in accordance with generally accepted accounting principles. My reservation of opinion in this auditor's report identifies the exceptions from generally accepted accounting principles that arise from following the accounting policies established by Alberta Treasury.

The following accounting policies are exceptions from generally accepted accounting principles:

Excluded direct costs

Accommodation costs and certain other financial costs incurred in the operation of the Ministry of Agriculture Food and Rural Development have not been included as expenses. These costs, estimated at $9.3 million, are recorded by the ministries that paid the expenses on behalf of the Ministry of Agriculture, Food and Rural Development.

Capitalization of assets

Capital assets costing less than $15,000 have been expensed in the year acquired and have not been recognized as an asset in the accompanying consolidated statement of financial position. Consequently, the annual amortization of these assets, and capital assets costing less than $15,000 expensed in past years, has not been recognized in the consolidated statement of operations. In my view, an amount of approximately $3.7 million, representing the net book value of capital assets expensed but still in use as at March 31, 2000, should be recognized in these financial statements. The effect of this understatement of assets is to overstate expenses by approximately $1.2 million for the year ended March 31, 2000.

In my opinion, except for the effects of the matters discussed in the preceding section, these consolidated financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 2000 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine
FCA
Auditor General

Edmonton, Alberta
May 25, 2000

Consolidated Statement of Operations for the Year Ended March 31, 2000
(in thousands)

	2000 Budget (Note 11)	2000 Actual	1999 Actual
Revenues			
Transfers from Government of Canada	$ 97,852	$170,674	$114,019
Interest and investment income	83,486	83,959	80,851
Premiums from insured persons	76,057	70,776	74,839
Restricted revenue and quota exchange receipts	48,552	63,202	59,705
Internal government transfers	42,430	42,820	11,628
Fees, permits, licenses and other income	13,182	22,092	21,422
Ministry Revenue	**361,559**	**453,523**	362,464

continued

continued

Consolidated Statement of Operations for the Year Ended March 31, 2000
(in thousands)

	2000 Budget (Note 11)	2000 Actual	1999 Actual
Expenses (Schedule 1)			
Program –			
Farm income support	136,178	367,206	59,485
Insurance	136,491	102,859	144,034
Restricted expenses and quota exchange payments	47,904	63,202	59,705
Industry development	38,204	39,638	38,476
Farm Fuel Distribution Allowance	33,500	32,771	32,224
Planning and competitiveness	30,078	32,139	33,766
Sustainable agriculture	26,720	29,985	29,342
Infrastructure assistance	23,200	27,268	30,230
Lending	24,213	25,506	22,205
Development Funding	25,600	23,650	8,800
Ministry support services	16,990	17,558	16,040
Public land management	10,440	8,558	7,491
Valuation adjustments	5,651	10,157	990
Program Expense	**555,169**	**780,497**	482,788
Debt Servicing Costs –			
Agriculture Financial Services Corporation	55,135	46,822	51,443
Alberta Opportunity Company	4,569	4,718	4,536
	59,704	**51,540**	55,979
Statutory expenses –			
Planning and competitiveness	–	–	75
Ministry Expense	**614,873**	**832,037**	538,842
Net recoverable amounts	–	38	1
Loss on disposal of assets	(20)	(9)	(8)
Net Operating Results	**$(253,334)**	**$(378,485)**	$(176,385)

The accompanying notes and schedules are part of these consolidated financial statements.

Consolidated Statement of Changes in Financial Position for the Year Ended March 31, 2000

(in thousands)

	2000	1999
Operating transactions		
Net operating results	$(378,485)	$(176,385)
Charges not affecting cash	15,786	6,294
Changes in assets and liabilities relating to operations	189,980	(27,805)
Cash used by operating transactions	**(172,719)**	(197,896)
Investing transactions		
Net loan disbursements and proceeds from repayments of loans receivable and sale of properties	(57,976)	(21,353)
Change in investments	(92,039)	(69,929)
Purchase of capital assets	(8,702)	(9,674)
Proceeds on disposal of other assets	–	141
Proceeds on disposal of capital assets	96	–
Transferred assets	(7)	(238)
Cash used by investing transactions	**(158,628)**	(101,053)
Financing transactions		
Borrowing from the Province of Alberta	174,154	228,769
Repayment of borrowing from the Province of Alberta	(143,115)	(199,512)
Net transfer from General Revenues	277,316	255,774
Cash provided by financing transactions	**308,355**	285,031
Cash used during the year	(22,992)	(13,918)
Cash at beginning of year	52,459	66,377
Cash at end of year	**$ 29,467**	**$ 52,459**

The accompanying notes and schedules are part of these consolidated financial statements.

Consolidated Statement of Financial Position as at March 31, 2000

(in thousands)

	2000	1999
Assets		
Cash	$ 29,467	$ 52,459
Accounts receivable	9,070	10,915
Due from Government of Canada	159,842	61,302
Loans receivable *(Schedule 2)*	827,178	777,921
Inventories of property held for sale	286	167
Investments *(Schedule 3)*	439,093	347,054
Capital assets *(Schedule 4)*	58,763	56,791
	$1,523,699	**$1,306,609**
Liabilities		
Accounts payable and accrued liabilities	$ 219,069	$ 61,041
Indemnities payable	226,638	95,407
Allowance for losses on loan guarantees	2,649	3,140
Debentures, notes and interest payable to the Province of Alberta *(Schedule 5)*	771,792	741,965
Unearned revenue	391	1,280
Deferred contributions *(Note 6)*	10,563	10,010
	1,231,102	912,843
Net Assets		
Net assets at beginning of year	393,766	314,377
Net operating results	(378,485)	(176,385)
Net transfer from General Revenues	277,316	255,774
Net assets at end of year	**292,597**	393,766
	$1,523,699	**$1,306,609**

The accompanying notes and schedules are part of these consolidated financial statements.

Notes to the Consolidated Financial Statements March 31, 2000

Note 1 Authority and Reporting Entity

The Minister of Agriculture, Food and Rural Development has been designated as responsible for various Acts by the Government Organization Act and its regulations. To fulfill these responsibilities, the Minister administers the organizations listed below. The authority under which each organization operates is also listed. Together, these organizations form the Ministry of Agriculture, Food and Rural Development and constitute the reporting entity.

Organization	Authority
Department of Agriculture, Food and Rural Development (the Department)	Government Organization Act
Crop Reinsurance Fund of Alberta	Agriculture Financial Services Act
Agriculture Financial Services Corporation (the Corporation)	Agriculture Financial Services Act
Alberta Opportunity Company (the Company)	Alberta Opportunity Fund Act
Alberta Dairy Control Board (the Board)	Dairy Board Act

The financial statements for the individual entities provide more detailed information about the operations of each entity.

Note 2 Purpose

The purpose of the Ministry is to enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services.

Note 3 Summary of Significant Accounting Policies and Reporting Practices

These consolidated financial statements are prepared in accordance with the following accounting policies:

(a) Method of Consolidation

The accounts of the Department, regulated funds and provincial agencies are consolidated after adjusting them to a basis consistent with the accounting policies described below in (b). Revenue and expense transactions, investing and financing transactions, and related asset and liability accounts between entities within the Ministry have been eliminated.

(b) Basis of Financial Reporting

Revenues – All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue. Interest revenue on loans receivable is recognized as earned unless the ultimate collection of the loan is in doubt. When a loan is classified as doubtful, interest revenue is no longer recognized.

Funds collected in the operation of price equalization pools or under various agreements are restricted contributions subject to externally imposed stipulations that specify the purpose for which the funds are to be used. Restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Restricted contributions received for future expenses are deferred until that future period when they are transferred to revenue.

Expenses – Expenses represent the costs of resources consumed during the year on the Ministry's operations. Expenses include amortization of capital assets.

Pension costs comprise the cost of employer contributions for current services of employees during the year and additional employer contributions for service relating to prior years.

Certain expenses, primarily for office space, legal advice, and banking services, incurred on behalf of the Ministry by other ministries are not reflected in the Statement of Operations. Schedule 6 discloses information on these related party transactions.

Valuation Adjustments – Valuation adjustments include changes in the valuation of allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Note 3 continued

Provision for Losses on Loans and Guarantees – Provisions are established for specifically identified potential losses on loans and guarantees as well as for anticipated but not specifically identified losses. Since the amounts and timing of future cash flows cannot be estimated with reasonable reliability, specific provisions are established by discounting the estimated fair value of security. The change in the present value attributed to the passage of time on the expected future cash flow is adjusted against the provision for doubtful accounts.

Assets – Cash consists of deposits in the Consolidated Cash Investment Trust Fund (the "Fund") of the Province of Alberta. The Fund is being managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. The Ministry earns interest on its daily cash balance at the average rate of earnings of the Fund, which varies depending upon the prevailing interest rates. The fair value of the Ministry's investments in the Fund is estimated to approximate their carrying amounts due to their short-term nature.

Inventory of property held for sale is recorded at the lower of cost and estimated net realizable value. Cost is comprised of the balance of the loan at the date on which title to the property is obtained plus subsequent disbursements related to the property less any revenues or lease payments received.

Due to the relatively short period to maturity, short-term financial instruments are valued at cost, adjusted for allowance for doubtful accounts, if applicable, which is considered to be equivalent to fair value. This approach applies to cash, accounts receivable, due from Government of Canada, accounts payable and accrued liabilities, and indemnities payable. Allowance for losses on loan guarantees does not have fair value disclosed due to the difficulty in determining the amount. Fair values of loans receivable, investments, debentures, notes and interest payable are disclosed in their respective schedules.

Investments are carried at cost or amortized cost unless there is an other than temporary decline in the value of the investments, when the investments are written down to recognize the loss. Premiums and discounts on investments are amortized to investment income using the straight-line method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income.

Loans made on significant concessionary terms are discounted. The amounts outstanding are discounted to their estimated present value. The amounts discounted are amortized to revenue over the lives of the concessionary terms.

Capital assets of the Ministry are recorded at historical cost and amortized on a straight line basis over the estimated useful lives of the assets. Capital assets are restricted to those acquired for cash or exchanged for other assets. Assets acquired by right are not included.

Liabilities – Liabilities include financial claims payable by the Ministry at fiscal year end.

Net Assets – Net assets represent the difference between the value of assets held by the Ministry and its liabilities.

Measurement Uncertainty – Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount.

Indemnities payable, recorded as $227,000,000 in these financial statements, are subject to measurement uncertainty.

Indemnities payable consist of known liabilities payable at the year end and estimated additional liabilities for indemnities based on historical information about the relationships between the number of claim applications received and the average amount of each application.

The Corporation implemented the Farm Income Disaster Program for the 1995 claim year. The Program may pay a farm business when it experiences a disastrous drop in margins on farm operations. If the program margin falls below 70% of the average margin for the best three of the previous five years, an indemnity may be payable. Applications can be submitted for the 1999 tax year until July 31, 2000 and indemnities are paid after applications are received and approved.

Note 3 continued

The Corporation has recorded a liability to provide for indemnities payable under the Program of $227,000,000. This amount is comprised of $64,000,000 for indemnities to be paid for the 1998 tax year and $163,000,000 to be paid for the 1999 tax year. Indemnities to be paid for the 1999 tax year may be more or less than the estimated $163,000,000 because the majority of the 1999 applications are not received until after March 31, 2000. It is also difficult to predict the indemnities payable because of the impact disasters will have on gross margins. Indemnities payable for the 1999 tax year may be as low as $141,000,000 or as high as $192,000,000. Indemnities payable under the Program are limited to a maximum of $200,000,000 for claims from producers who have year ends in any fiscal year.

Due from Government of Canada (Canada) with respect to the Farm Income Disaster Program, recorded as $78,240,000 in these financial statements, is subject to measurement uncertainty. Canada and the Province have agreed that the Farm Income Disaster Program will be used to deliver in Alberta a national program called the Agricultural Income Disaster Assistance Program. Program costs are anticipated to be shared 60% by Canada and 40% by the provinces where program criteria are similar. Canada has informed the provinces that it may be necessary to prorate the federal share of claim payments by as much as 50% in order for Canada to stay within its approved budget for the national program. Consequently, the amount due from Canada in respect of the 1999 tax year may be as low as $33,840,000 or as high as $115,200,000.

Loans receivable, recorded as $827,000,000 in these financial statements, are subject to measurement uncertainty. Loans receivable include a provision of $26,084,000 for losses on loans. The provision estimated by management could change significantly in the future, leading to a material change in the provision for losses amount recorded.

Farm Income Assistance program expense and related accrued liabilities, recorded as $131,400,000 and $131,350,000 respectively, in these financial statements are subject to measurement uncertainty. Under the program, the government will pay eligible farms $4.29 per acre for cultivated acres. Payments under the program are difficult to estimate because the majority of applications are not received until after March 31, 2000. Payments could be as high as $140,000,000.

Note 4 Reorganization

There were some changes in the responsibilities of the Ministry as a result of a major reorganization announced by the government on May 25, 1999 and transfers of responsibility announced throughout the year. Comparatives for 1999 have been restated as if the Ministry had always been assigned its current responsibilities.

	(amounts in thousands)
Net assets, as previously reported at March 31, 1998	$299,301
Transfer to the Ministry of Innovation and Science	(1,686)
Transfer from the Ministry of Economic Development	20,760
Adjustment to Department Net Assets	(3,642)
Impact of unfunded pension liability restatement	1,622
Impact on elimination adjustments	(1,978)
Net assets, as restated at March 31, 1998	$314,377

Note 5 Restrictions on Net Assets

The Board has internally restricted net assets on quota exchange transfers. These net assets will be used to cover any future quota exchange transaction deficiencies. The last quota exchange operated by the Board was held on July 22, 1999.

Note 6 Deferred Contributions

Deferred contributions represent Canada-Alberta Partnership on Agri-food contributions, premiums from insured persons and unspent contributions externally restricted for price equalization, milk promotion, Alberta Milk Producers Society membership, and nutrition education purposes.

Note 7 Pensions

The Ministry participates in the multiemployer pension plans, Management Employees Pension Plan and the Public Service Pension Plan. The expense for these plans is equivalent to the annual contributions of $4,766,000 for the year ending March 31, 2000 (1999 $4,379,000).

Effective January 1, 1999, the Ministry's contribution to the Public Service Pension Plan was reduced by .3% of pensionable salaries.

At December 31, 1999, the Management Employees Pension Plan reported a surplus of $46,019,000 (1998 $4,355,000) and the Public Service Pension Plan reported a surplus of $517,020,000 (1998 $406,445,000). At December 31, 1999, the Supplementary Retirement Plan for Public Service Managers had a surplus of $33,000.

Note 8 Contingencies

At March 31, 2000, Ministry entities are defendants in legal claims with specified amounts as follows:

	2000	1999
Alberta Agriculture, Food and Rural Development	$ 5,882,500	$13,679,000
Alberta Dairy Control Board	1,500,000	–
Alberta Opportunity Company	16,947,000	2,697,000
	$24,329,500	$16,376,000

Contingencies associated with loan guarantees provided by the Corporation and the Company at March 31 are as follows:

	2000	1999
Agriculture Financial Services Corporation	$55,911,000	$61,885,000
Alberta Opportunity Company	3,478,000	3,153,000
	$59,389,000	$65,038,000

Contingencies under the Alberta Farm Development Loans Program comprise $51,323,000 (1999 $56,245,000) of the loan guarantees. Loans made by other financial institutions under this program at March 31, 2000 were $149,264,000 (1999 $162,709,000).

There are various legal claims outstanding against the Ministry for which amounts have not been specified. The resulting loss, if any, from these contingencies cannot be determined.

Note 9 Commitments

At March 31 the Corporation had the following commitments:

	2000	1999
Estimated Farm Loan Incentives	$15,459,000	$13,276,000
Approved, undisbursed loans	35,411,000	23,028,000
Reinsurance	10,270,000	22,400,000
	$61,140,000	$58,704,000

At March 31, the Company has the following commitments relating to unimplemented authorizations:

	2000	1999
Loans	$ 9,275,000	$10,059,000
Guarantees	990,000	300,000
Export Guarantees	345,000	410,000
	$10,610,000	$10,769,000

Note 9 continued

The Company has obligations under long-term, non-cancellable operating leases for premises. These leases generally have five year terms, include five year renewal options, and provide for payment of operating expenses and real estate taxes in excess of the amounts established at the commencement of the leases. The future minimum lease payments and estimated related costs for each of the next five years are as follows:

2001	$446,000
2002	423,000
2003	226,000
2004	113,000
2005	56,000

Note 10 Guarantees

	2000	1999	Expiry Date
	$49,817,000	$46,406,000	Ongoing
Feeder Associations	3,106,000	4,800,000	2015
Agricultural Societies Act	3,478,000	3,153,000	
Alberta Opportunity Company Guarantees	$56,401,000	$54,359,000	

Guarantee programs under the following Acts are ongoing:

- Feeder Associations Guarantee Act (authorized guarantee limit set by Order in Council is $55 million)
- Agricultural Societies Act (authorized guarantee limit set by statute is $50 million – no guarantees were given under this program during 1999-2000)

The Corporation and the Company take appropriate security prior to issuing a loan to the borrower which is guaranteed by the Province. The security taken depends on the nature of the loan. Interest rates are negotiated and typically range from prime to prime plus two per cent.

The expiry date shown for guarantees under the Agricultural Societies Act is the latest expiry date for guaranteed loans under the program.

Note 11 Budget

Effective April 1, 1999, the responsibilities of the Ministry changed as a result of a major reorganization announced by the government and other transfers of responsibility announced during the year. This budget amount has restated the 1999-2000 Government and Lottery Fund Estimates that were approved on May 25, 1999 for both the major reorganization and other transfers of responsibility authorized during the year. Supplementary Estimates were approved on December 9, 1999. Treasury Board approval is pursuant to Section 29 (1.1) of the Financial Administration Act.

Note 12 Trust Funds under Administration

The Ministry administers trust funds which are regulated funds consisting of public money over which the Legislature has no power of appropriation. Since the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Ministry's consolidated financial statements.

As at March 31, 2000, trust funds under administration were as follows:

	2000	1999
Wheat Board Monies Trust Fund	$ 98,000	$ 96,000
4-H Scholarship Trust Fund	64,000	58,000
4-H General Trust	112,000	7,000
Claude Gallinger Memorial Trust Fund	24,000	24,000
National Meat and Poultry Trust	–	7,000
	$298,000	$192,000

Note 13 Subsequent Events

The Corporation has obtained reinsurance that provides for a net reduction of $6,500,000 in crop reinsurance premiums for 2000/01 due to the Corporation's favourable experience over the period April 1, 1998 to March 31, 2000. The $6,500,000 reduction will be reflected in a reduction to Premiums from insured persons, and Transfers from Government of Canada.

The Province of Alberta announced it will provide a credit to all producers purchasing all-risk crop insurance for 2000/01. This measure will cost approximately $20 million and will result in a premium reduction of 30% of each producer's premiums, regardless of the coverage level chosen. The $20,000,000 reduction will be reflected as a reduction to Premiums from insured persons, but will not reduce government contributions.

Note 14 Comparative Figures

Certain 1999 figures have been reclassified to conform to the 2000 presentation.

Note 15 Approval of Consolidated Financial Statements

The consolidated financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Schedule of Expenses by Object for the Year Ended March 31, 2000

Schedule 1

(in thousands)

	2000 Budget	2000 Actual	1999 Actual
Indemnities	$242,725	$312,904	$171,314
Grants	105,773	239,420	104,565
Salaries, wages, employment contracts and benefits	95,427	97,259	93,212
Interest	64,034	57,177	59,837
Supplies and services	45,702	44,356	43,401
Amortization of capital assets	7,589	6,770	5,336
Other expenses	68	792	407
Valuation adjustments	5,651	10,157	990
Subtotal	566,969	768,835	479,062
Restricted expenses and quota exchange payments	47,904	63,202	59,705
Statutory expenses	–	–	75
Total	$614,873	$832,037	$538,842

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Schedule of Loans Receivable for the Year Ended March 31, 2000

Schedule 2
(in thousands)

	2000	1999
Loans receivable by –		
Agriculture Financial Services Corporation	$710,202	$671,119
Alberta Opportunity Company	116,976	106,802
	$827,178	$777,921

Loans receivable by the Agriculture Financial Services Corporation are comprised of the following:

	2000	1999
Loans receivable	$718,905	$677,354
Accrued interest	23,010	22,455
	741,915	699,809
Less allowance for doubtful accounts	(26,084)	(23,420)
Less accrued incentives	(2,335)	(2,212)
Less loan discounts	(3,294)	(3,058)
	$710,202	$671,119

The allowance for doubtful accounts of $26,084 (1999 $23,420) includes a specific allowance for $2,538 (1999 $2,914) on impaired loans outstanding of $14,856 (1999 $15,588), excluding unamortized loan discount.

The approximate fair value of the loan portfolio at March 31, 2000 is $642,451. Fair value is based on future cash flows discounted by rates equivalent to the market rates on loans with similar terms and credit risk.

	Term to Maturity [1]				Not Interest Rate Sensitive [2]	2000	1999
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years		Total	Total
Direct farm loans	$11,507	$34,753	$152,448	$468,618	$12,115	$679,441	$644,125
Yield[3]	7.74%	7.63%	7.53%	7.47%		7.49%	7.55%
Agribusiness loans	4,773	19,164	4,397	130	2,297	30,761	26,994
Yield[3]	5.90%	9.27%	9.27%	12.00%		7.78%	6.70%
Total	$16,280	$53,917	$156,845	$468,748	$14,412	$710,202	$671,119
Yield[3]	7.20%	7.72%	7.58%	7.47%		7.51%	

(1) Term to maturity reflects the period of time until a loan matures or where an interest rate is to be renegotiated.

(2) Includes indexed deferral loans, net impaired loans, general provisions, accrued beginning farmer incentives, accrued interest and unamortized loan discount.

(3) Yield represents the rate which discounts future cash receipts to the carrying amount.

Ministry of Agriculture, Food and Rural Development – Schedule of Loans Receivable for the Year Ended March 31, 2000

Schedule 2 continued
(in thousands)

Loans receivable by the Alberta Opportunity Company are comprised of the following:

	2000	1999
Loans receivable	$127,385	$116,554
Accrued interest	768	–
	128,153	116,554
Less allowance for doubtful accounts	(11,177)	(9,752)
	$116,976	$106,802

The allowance for doubtful accounts of $11,177 (1999 $9,752) includes a specific allowance for $4,200 (1999 $3,265) on impaired loans outstanding of $11,857 (1999 $8,386), excluding unamortized loan discount.

Loans have an average term of between four and five years and are secured by general security agreements, land mortgages, debentures, and guarantees. Loans generated a weighted average interest return of 9.1% (9.1% in 1999).

The estimated fair value of loans is determined by discounting the expected future cash flows of these loans at current interest rates for developmental loans with similar terms and credit risks.

	Term to Maturity [a]				
	Within 1 Year	1 to 5 Years	Not Interest Rate Sensitive [b]	2000	1999
Loans	$18,697	$94,330	$3,949	$116,976	$106,802
Yield [c]	8.90%	9.88%		9.72%	9.44%

[a] Term to maturity reflects the period of time until a loan matures or where an interest rate is renegotiated, whichever is shorter.

[b] Includes net impaired loans, expired loans, and general provisions.

[c] Yield represents the rate which discounts future cash receipts to the carrying amount.

Ministry – continued
Ministry of Agriculture, Food and Rural Development – Schedule of Investments for the Year Ended March 31, 2000

Schedule 3
(in thousands)

	2000	1999
Bonds and debentures		
Government of Canada, direct and guaranteed	$281,430	$158,909
Province of Alberta	–	5,196
Other provincial, direct and guaranteed	92,560	102,346
	373,990	266,451
Fair value[1]	371,397	267,283
Marketable securities		
Government of Canada	57,097	77,555
Fair value[1]	57,141	77,579
	431,087	344,006
Accrued interest	8,006	3,048
	$439,093	$347,054
Fair value[1]	$428,538	$344,862

	Term to Maturity [2]				2000	1999
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Total	Total
Bonds and debentures	$48,729	$299,385	$13,491	$12,386	$373,991	$266,451
Yield [3]	4.96%	5.87%	5.51%	5.95%	5.74%	5.08%
Securities	–	57,097	–	–	57,097	77,555
Yield [3]	–	6.55%	–	–	6.55%	4.88%
	48,729	356,482	13,491	12,386	431,088	344,006
Accrued interest	1,374	6,111	231	289	8,005	3,048
	$50,103	$362,593	$13,722	$12,675	$439,093	$347,054

[1] Fair value is based on quoted market prices. Fair value does not include accrued interest.

[2] For loans, term to maturity reflects the period of time until an interest rate renegotiation date or the maturity date of the loan. For debentures and notes payable, term to maturity reflects the period of time until an interest rate renegotiation date or the maturity date of the long-term debt. The interest rates are fixed for either a five year period or until maturity. Repayment is either by semi-annual or annual installments of principal. The Provincial Treasurer may permit all or part of debentures to be redeemed by the issuer prior to maturity without penalty and the Corporation will redeem debentures when cash flow is adequate and the Provincial Treasurer authorizes redemption. For investments, term to maturity classifications are based on contractual maturity of the security.

[3] For loans and investments, yield represents the rate which discounts future cash receipts to the carrying amount. For debentures and notes payable, yield represents the rate which discounts the stream of future payments from the reporting date to the next interest rate renegotiation date.

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Schedule of Capital Assets for the Year Ended March 31, 2000

Schedule 4

(in thousands)

		2000			1999
	Estimated Useful Life	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings	40 years	$ 5,397	$ 2,212	$ 3,185	$ 3,366
Equipment, vehicles and furniture	3-10 years	17,917	12,594	5,323	4,856
Computer hardware and software	3-5 years	28,152	11,810	16,342	11,726
Leasehold improvements	term of lease	150	131	19	32
Rail hopper cars	35 years	51,889	28,296	23,593	25,180
Land improvements	15-20 years	43,388	33,202	10,186	11,516
Land		115	–	115	115
		$147,008	$88,245	$58,763	$56,791

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Schedule of Debentures and Notes Payable for the Year Ended March 31, 2000

Schedule 5

(in thousands)

Debentures, notes and interest payable to the Province of Alberta by:

	2000	1999
Agriculture Financial Services Corporation	$684,889	$655,585
Alberta Opportunity Company	86,903	86,380
	$771,792	$741,965

The approximate fair values of debentures, notes and interest payable to the Province of Alberta at March 31 are:

	2000	1999
Agriculture Financial Services Corporation	$685,005	$672,335
Alberta Opportunity Company	85,296	86,470
	$770,301	$758,805

Fair values for debentures and notes are based on the net present value of future cash flows. Each individual cash flow payment is discounted at a rate which matches the term of the cash flow payment and is adjusted for a yield premium to reflect several factors. These include a liquidity premium to reflect the fact that if the debentures and notes are sold, there will be a limited pool of these securities trading in the market; and that the debentures and notes would be new to the market and are not direct issues of the Province; a premium for periodic interest reset feature where applicable, and a factor to reflect the blended payment structure of the debentures and notes.

Debentures, notes and interest payable to the Province of Alberta by the Agriculture Financial Services Corporation are comprised of the following:

Series	Year of Maturity	Weighted Average Interest Rate	March 31 Principal Outstanding 2000	1999
Short term note	2000	5.22%	$148,218	$125,351
Debenture A	2004	9.55%	39,720	49,100
Debenture B	2004 - 2005	0.00%	–	14,000
Debenture C	2005	8.53%	28,000	32,000
Debenture D	2006	8.23%	48,500	55,000
Debenture E	2006 - 2007	7.41%	52,800	59,400
Debenture G	2009 - 2010	0.00%	–	57,230
Debenture H	2010 - 2011	8.50%	64,310	68,670
Debenture K	2011	8.16%	30,135	31,777
Debenture L	2001 - 2002	7.38%	21,237	34,035
Note payable 001	2011	7.56%	21,279	22,405
Note payable 002	2010	5.58%	46,973	50,031
Note payable 003	2013	5.39%	45,192	47,883
Note payable 004	2013	5.39%	32,164	–
Note payable 005	2016	6.52%	98,923	–
			677,451	646,882
Interest			7,438	8,703
			$684,889	$655,585

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Schedule of Debentures and Notes Payable for the Year Ended March 31, 2000 – continued

Schedule 5 continued

(in thousands)

	Term to Maturity [2]					
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Total	Total
Debentures & notes payable	$295,163	$137,757	$ –	$244,531	$677,451	$646,882
Yield [3]	7.59%	8.44%	–	6.09%	6.33%	6.73%
Accrued interest	1,625	1,792	–	4,021	7,438	8,703
	$296,788	$139,549	$ –	$248,552	$684,889	$655,585

[1] Yield represents the rate which discounts the stream of future payments from the reporting date to the next interest rate negotiation rate.

Debentures, notes and interest payable to the Province of Alberta by the Alberta Opportunity Company are comprised of the following:

			March 31 Principal Outstanding	
Series	Year of Maturity	Interest Rate	2000	1999
Note 001	2001	5.65%	$ 3,891	$ 7,915
Note 002	2001	6.75%	8,000	8,000
Note 005	2002	5.44%	13,250	13,250
Note 008	2002	5.00%	12,240	12,240
Note 013	2003	5.00%	14,200	14,200
Note 015	2003	5.10%	10,000	10,000
Note 017	1999	4.80%	–	7,000
Note 018	2000	5.00%	–	8,400
Note 019	2004	5.30%	6,000	6,000
Note 020	2000	5.81%	9,600	–
Note 021	2001	6.00%	9,000	–
Note 022	2000	5.15%	1,600	–
			87,781	87,005
Less unamortized discounts			878	625
			$86,903	$86,380

	Term to Maturity [a]			
	Within 1 Year	1 to 4 Years	2000	1999
Notes Payable	$31,213	$55,690	$86,903	$86,380
Yield [b]	5.95%	5.23%	5.33%	5.30%

[a] Term to maturity reflects the period of time until the maturity date of the notes.

[b] Yield represents the rate which discounts the stream of future payments from the reporting date to the maturity date.

Scheduled principal repayments are as follows:		
	2001	$31,213
	2002	13,250
	2003	26,440
	2004	16,000
		$86,903

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Related Party Transactions for the Year Ended March 31, 2000

Schedule 6

(in thousands)

Related parties are those entities consolidated in the Province of Alberta's financial statements. Related parties also include management in the Ministry.

The Ministry and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Ministry had the following transactions with related parties recorded at the amount of consideration agreed upon between the related parties:

	2000	1999
Revenues –		
Fees and charges	$ 1	$ 1
Other	28	159
Interest	514	852
	$ 543	$ 1,012
Expenses –		
Grants	$624	$ –
Accommodation	241	241
Other services	3,452	3,892
Interest	51,540	55,929
	$55,857	$60,062
Capital Assets Transferred	$ 7	$ 54

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements.

	2000	1999
Expenses (notional) –		
Accommodation	$9,035	$9,351
Other services	231	252
	$9,266	$9,603

Section 2

Financial Information 85
- Financial Statements 86
  - Department of Agriculture, Food and Rural Development 86
- Agencies/Funds 110
  - Agriculture Financial Services Corporation 110
  - Alberta Opportunity Company 134
  - Alberta Dairy Control Board 145
  - Crop Reinsurance Fund of Alberta 156

Other Information 160
- Summary of Financial Information 160
- Government Organization Changes 161
- Index of Government Agencies, Funds and Reporting Entities 163
- Acts Alberta Agriculture, Food and Rural Development is Responsible for 168
- Agricultural Statistics for Alberta 169

Department
Department of Agriculture, Food and Rural Development - Financial Statements 1999-2000

AUDITOR GENERAL *Alberta*

AUDITOR'S REPORT

To the Minister of Agriculture, Food and Rural Development

I have audited the statement of financial position of the Department of Agriculture, Food and Rural Development as at March 31, 2000 and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the management of the Department. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Department of Agriculture, Food and Rural Development is required to follow the corporate government accounting policies and reporting practices as disclosed in Note 2. These accounting policies have been established by Alberta Treasury and are consistent across departments. With certain exceptions, the basis of accounting is in accordance with generally accepted accounting principles. My reservation of opinion in this auditor's report identifies the exceptions from generally accepted accounting principles that arise from following the accounting policies established by Alberta Treasury.

The following accounting policies are exceptions from generally accepted accounting principles:

Excluded direct costs
Accommodation costs and certain other financial costs incurred in the operation of the Department have not been recognized as expenses. These costs, estimated at $8.9 million are recorded by the departments that paid the expenses on behalf of the Department of Agriculture, Food and Rural Development.

Capitalization of assets

Capital assets costing less than $15,000 have been expensed in the year acquired and have not been recognized as an asset in the accompanying statement of financial position. Consequently, the annual amortization of these assets, and capital assets costing less than $15,000 expensed in past years, has not been recognized in the statement of operations. In my view, an amount of approximately $3.7 million, representing the net book value of capital assets expensed but still in use as at March 31, 2000, should be recognized in these financial statements. The effect of this understatement of assets is to overstate expenses by approximately $1.2 million for the year ended March 31, 2000.

In my opinion, except for the effects of the matters discussed in the preceding section, these financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 2000 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine
FCA
Auditor General

Edmonton, Alberta
May 25, 2000

Statement of Operations for the Year Ended March 31, 2000
(in thousands)

	2000 Budget (Schedule 4)	2000 Actual	1999 Actual
Revenues (Schedules 1 and 2)			
Internal Government Transfers	$ 42,430	$ 42,820	$ 11,628
Fees, Permits and Licenses	12,177	12,064	14,758
Transfers from the Government of Canada	48,121	12,036	268
Other revenue	1,580	4,952	2,016
	104,308	**71,872**	28,670
Expenses – Voted (Schedules 2, 3 and 5)			
Industry Development	37,526	38,698	37,631
Planning and Competitiveness	33,229	32,139	33,766
Sustainable Agriculture	28,620	29,985	29,342
Infrastructure Assistance	23,200	27,268	30,230
Ministry Support Services	16,990	17,558	16,040
Public Land Management	8,540	8,558	7,491
Financial Assistance to Alberta Opportunity Company	5,447	5,575	5,521
Agriculture Assistance –			
Farm Income Disaster Program	74,648	132,858	(2,184)
Farm Income Assistance Program	–	131,400	–
Crop Insurance	59,605	55,275	61,826
Farm Fuel Distribution Allowance	33,500	32,771	32,224
Development Funding	25,600	23,650	8,800
Lending Assistance	18,601	18,441	17,559
Wildlife Damage	2,944	1,396	289
	368,450	**555,572**	278,535

continued

continued

Statement of Operations for the Year Ended March 31, 2000
(in thousands)

	2000 Budget (Schedule 4)	2000 Actual	1999 Actual
Statutory (Schedules 3 and 5)			
Planning and Competitiveness	–	–	75
Valuation Adjustments			
Write-offs and losses	–	340	–
Provision for doubtful accounts	(110)	872	11
Provision for vacation pay and guarantees	(280)	295	657
	(390)	**1,507**	668
Total Expenses	**368,060**	**557,079**	279,278
Loss on disposal of capital assets	–	9	8
Net operating results	**$(263,752)**	**$(485,216)**	$(250,616)

The accompanying notes and schedules are part of these financial statements.

Statement of Changes in Financial Position for the Year Ended March 31, 2000

(in thousands)

	2000	1999
Operating Transactions		
Net operating results	$(485,216)	$(250,616)
Non cash items included in net operating results –		
Amortization	3,886	3,994
Valuation adjustments	1,507	668
Loss on disposal of capital assets	9	8
	(479,814)	(245,946)
(Increase) decrease in accounts receivable	(11,924)	39,032
Decrease in advances	11	56
Increase (decrease) in accounts payable and accrued liabilities	216,772	(43,971)
(Decrease) Increase in unearned revenue	(889)	454
Cash used by operating transactions	**(275,844)**	(250,375)
Investing Transactions		
Purchase of capital assets	(1,465)	(1,518)
Amortization of central financial system	(137)	–
Transferred assets	(7)	(238)
Proceeds from disposal of capital assets	92	112
Cash used by investing transactions	**(1,517)**	(1,644)
Financing Transactions		
Net transfer from General Revenues	277,316	255,774
Reorganization transfer	–	(3,642)
Cash provided by financing transactions	**277,316**	252,132
Cash (used) provided during the year	(45)	113
Cash at beginning of year	621	508
Cash at end of year	**$ 576**	**$ 621**

The accompanying notes and schedules are part of these financial statements.

Statement of Financial Position as at March 31, 2000

(in thousands)

	2000	1999
Assets		
Cash	$ 576	$ 621
Accounts Receivable *(Note 4)*	13,391	2,679
Advances	210	221
Capital Assets *(Note 5)*	40,064	42,442
	$54,241	$45,963
Liabilities		
Accounts Payable and Accrued Liabilities	$269,652	$ 52,585
Unearned Revenue	391	1,280
	270,043	53,865
Net Liabilities		
Net Liabilities at Beginning of Year, As Restated *(Note 3)*	(7,902)	(13,060)
Net Operating Results	(485,216)	(250,616)
Net Transfer from General Revenues	277,316	255,774
Net Liabilities at End of Year	(215,802)	(7,902)
	$ 54,241	**$ 45,963**

The accompanying notes and schedules are part of these financial statements.

Notes to the Financial Statements March 31, 2000

Note 1 Authority and Purpose

The Department of Agriculture, Food and Rural Development operates under the authority of the Government Organization Act, Statutes of Alberta. The purpose of the Department is to enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments. The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate.

(a) Reporting Entity

The reporting entity is the Department of Agriculture, Food and Rural Development, which is part of the Ministry of Agriculture, Food and Rural Development and for which the Minister of Agriculture, Food and Rural Development is accountable. Other entities reporting to the Minister include:

- Agriculture Financial Services Corporation,
- Alberta Opportunity Company
- Alberta Dairy Control Board, and
- Crop Reinsurance Fund of Alberta.

The activities of these organizations are not included in these financial statements.

The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Provincial Treasurer. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net transfer from General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenues – All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Internal Government Transfers – Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Dedicated Revenue – Dedicated revenue initiatives provide a basis for authorized spending. Dedicated revenues must be shown as credits or recoveries in the details of the Government Estimates for a supply vote. If actual dedicated revenues are less than budget and total voted expenses are not reduced by an amount sufficient to cover the deficiency in dedicated revenues, the following year's voted expenses are encumbered. If actual dedicated revenues exceed budget, the Department may, with the approval of Treasury Board, use the excess revenue to fund additional expenses on the program. Schedule 2 discloses information on the Department's dedicated revenue initiatives.

Expenses – Expenses represent the costs of resources consumed during the year on the Department's operations. Expenses include amortization of capital assets.

Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for service relating to prior years.

Certain expenses, primarily for office space, legal advice, and banking services, incurred on behalf of the Department by other Ministries are not reflected in the Statement of Operations. Schedule 7 discloses information on these related party transactions.

Note 2 continued

Valuation Adjustments – Valuation adjustments include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay and guarantees.

Assets – Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Capital assets of the Department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. All land is capitalized. The threshold for capitalizing new systems development is $100,000 and the threshold for all other capital assets is $15,000. Assets acquired by right are not included.

Liabilities – Liabilities include all financial claims payable by the Department at fiscal year end.

Net Liabilities – Net liabilities represent the difference between the value of assets held by the Department and its liabilities.

Measurement Uncertainty – Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount.

The Province's contribution to Agriculture Financial Services Corporation for indemnities payable under the Farm Income Disaster Program and related accrued liability are subject to measurement uncertainty. The Province's contribution to the program and related liability in respect of both the 1998 and 1999 tax years are recorded in these financial statements as $132,858,000 and $67,290,000, respectively.

Uncertainty is attached to the amounts recorded for the 1999 tax year because the cost sharing formula with the federal government has not yet been finalized. Uncertainty is also attached to predicting indemnities payable because of the effect disasters will have on farm business. This uncertainty is compounded because the majority of applications for the 1999 claim year are not received until after March 31, 2000.

The Province's recorded contribution comprises $84,760,000 for the 1999 claim year and is subject to the outlined measurement uncertainties. The Provincial Contribution for the 1999 claim year may be as low as $65,200,000 or as high as $123,880,000.

Farm Income Assistance Program expense and related accrued liabilities, recorded as $131,400,000 and $131,350,000, respectively, in these financial statements are also subject to measurement uncertainty. Under the program, the government will pay eligible farmers $4.29 per acre for cultivated acres. Payments under the program are difficult to estimate because the majority of applications are not received until after March 31, 2000. Payments could be as high as $140,000,000.

Valuation of Financial Assets and Liabilities – Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, advances, accounts payable and accrued liabilities and unearned revenues are estimated to approximate their book values.

Note 3 Reorganization

There were some changes in the responsibilities of the Department as a result of a major reorganization announced by the government on May 25, 1999 and transfers of responsibility announced throughout the year. Comparatives for 1999 have been restated as if the Department had always been assigned its current responsibilities.

	(amounts in thousands)
Net liabilities, as previously reported at March 31,1998	$(9,418)
Transfer to Department of Innovation and Science	(7,995)
Transfer to Department of Economic Development	(2,434)
Transfer from Department of Economic Development	6,787
Net liabilities, as restated at March 31, 1998	$(13,060)

Note 4 Accounts Receivable

	Gross Amount	2000 Allowance for Doubtful Accounts	Net Realizable Value	1999 Net Realizable Value
		(in thousands)		
Accounts receivable	$13,856	$490	$13,366	$2,284
Refunds from suppliers	25	–	25	395
	$13,881	$490	$13,391	$2,679

Accounts receivable are unsecured and non-interest bearing.

Note 5 Capital Assets

	Estimated Useful Life	2000 Cost	2000 Accumulated Amortization	2000 Net Book Value	1999 Net Book Value
			(in thousands)		
Buildings	40 years	$ 2,478	$ 1,391	$ 1,087	$ 1,151
Equipment and vehicles	10 years	14,689	10,800	3,889	3,416
Computer hardware and software	3-5 years	5,478	4,169	1,309	1,179
Rail hopper cars	35 years	51,889	28,296	23,593	25,180
Land improvements	15-20 years	43,388	33,202	10,186	11,516
		$117,922	$77,858	$40,064	$42,442

Note 6 Contingencies

At March 31, 2000, the Department is a defendant in eight legal claims (1999 twelve legal claims). Seven of these claims have specified amounts totalling $5,882,500 and the remaining one has not specified any amount (1999 ten claims with a specified amount of $13,679,000 and two with no specified amount). Included in the total legal claims are two claims amounting to $3,448,500 in which the Department has been jointly named with other entities. Three claims amounting to $2,104,000 are covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

Note 7 Guarantees

	2000	1999	Expiry Date
	(in thousands)		
Feeder Associations	$49,817	$46,406	Ongoing
Agricultural Societies Act	3,106	4,800	2015
	$52,923	$51,206	

Guarantee programs under the following Acts are ongoing:

- Feeder Associations Guarantee Act (authorized guarantee limit set by Order in Council is $55 million)
- Agricultural Societies Act (authorized guarantee limit set by statute is $50 million – no guarantees were given under this program during 1999-2000)

The lender takes appropriate security prior to issuing a loan to the borrower which is guaranteed by the Province. The security taken depends on the nature of the loan. Interest rates are negotiated with the lender by the borrower and typically range from prime to prime plus two per cent.

Note 7 continued

The expiry date shown for guarantees under the Agricultural Societies Act is the latest expiry date for guaranteed loans under the program.

Note 8 Trust Funds Under Administration

The Department administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Department's financial statements.

As at March 31, 2000, trust funds under administration were as follows:

	2000	1999
	(in thousands)	
Wheat Board Monies Trust Fund	$ 98	$ 96
4-H Scholarship Trust Fund	64	58
4-H General Trust	112	7
Claude Gallinger Memorial Trust Fund	24	24
National Meat and Poultry Trust	–	7
	$298	$192

Note 9 Payments Under Agreements

The Department has entered into agreements to deliver programs that are fully funded by the Government of Canada. Costs incurred under these agreements are made by the Department under authority of the Financial Administration Act, section 29.1. Accounts payable includes $119 (1999 accounts receivable included $152) relating to payments under agreement.

Amounts paid and payable under agreements with program sponsors are as follows:

	2000	1999
	(in thousands)	
Dairy herd improvements	$ –	$289
Livestock expansion and development	5	232
	$ 5	$521

Note 10 Pensions

The Department participates in the multiemployer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The expense for these pension plans is equivalent to the annual contributions of $3,621,000 for the year ending March 31, 2000 (1999 $3,318,000).

Effective January 1, 1999, the department's contribution to the Public Service Pension Plan was reduced by .3% of pensionable salaries.

At December 31, 1999, the Management Employees Pension Plan reported a surplus of $46,019,000 (1998 $4,355,000) and the Public Service Pension Plan reported a surplus of $517,020,000 (1998 $406,445,000). At December 31, 1999, the Supplementary Reitrement Plan for Public Service Managers had a surplus of $33,000.

Note 11 Comparative Figures

Certain 1999 figures have been reclassified to conform to the 2000 presentation.

Note 12 Approval of Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Department – continued
Department of Agriculture, Food and Rural Development – Schedule of Revenues for the Year Ended March 31, 2000

Schedule 1
(in thousands)

	2000 Budget	2000 Actual	1999 Actual
Internal Government Transfers			
Transfers from the Lottery Fund	$ 42,430	$42,820	$11,628
Transfers from the Government of Canada	48,121	12,036	268
Fees, permits and licenses			
Lands and grazing	10,500	10,208	9,766
Brand inspection and registration	–	2	3,357
Food processing centre fees	400	511	623
Livestock water program	476	365	331
Meat services	153	124	208
Aquaculture, sheep and diversified livestock	335	141	171
Dairy laboratory and analytical services	80	60	86
Other	233	653	216
	12,177	12,064	14,758
Other revenue			
Previous year's refunds	–	808	(648)
Surface rights – land lease	–	1,426	696
Publications	225	1,331	335
Green certificate and home study	780	405	239
Plant industry development partnership	–	400	209
Rail hopper car revenue	–	223	676
Surplus sales	–	28	159
Miscellaneous	575	331	350
	1,580	4,952	2,016
Total revenues	$104,308	$71,872	$28,670

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Dedicated Revenue Initiatives for the Year Ended March 31, 2000

Schedule 2

(in thousands)

	2000 Authorized Budget	2000 Actual	1999 Actual
Ministry Support Services			
Dedicated revenue [a]	$ (364)	$ (414)	$ (324)
Expenses	1,799	1,792	1,664
Net expense	1,435	1,378	1,340
Planning and Competitiveness			
Dedicated revenue [b]	(780)	(400)	(357)
Expenses	2,602	2,026	1,971
Net expense	1,822	1,626	1,614
Industry Development			
Dedicated revenue [c]	(1,460)	(1,357)	(1,112)
Expenses	24,715	25,807	31,678
Net expense	23,255	24,450	30,566
Sustainable Agriculture			
Dedicated revenue [d]	(11,186)	(11,073)	(10,717)
Expenses	25,331	24,273	24,868
Net expense	14,145	13,200	14,151
Totals			
Dedicated revenue	(13,790)	(13,244)	(12,510)
Expenses	54,447	53,898	60,181
Net Expense	$40,657	$40,654	$47,671

Dedicated revenue initiatives provide a basis for authorized spending. Dedicated revenues must be shown as credits or recoveries in the details of the Government Estimates for a supply vote. If actual dedicated revenues are less than budget and total voted expenses are not reduced by an amount sufficient to cover the deficiency in dedicated revenues, the following year's expense budget is reduced. Conversely, if actual dedicated revenues exceed budget, the Department may, with the approval of the Treasury Board, use the excess revenue to fund additional expenses on the program.

[a] Authorized budget for Ministry Support Services dedicated revenue initiatives includes Publications Revenue ($364).

[b] Authorized budget for Planning and Competitiveness dedicated revenue initiatives includes Educational Services Revenue ($780).

[c] Authorized budget for Industry Development dedicated revenue initiatives includes: various Processing Industry Fees ($857), various Animal Industry Programs ($339), various Plant Industry Programs ($259), and Miscellaneous Cost Recovery Programs ($5).

[d] Authorized budget for Sustainable Agriculture dedicated revenue initiatives includes: Public Land Management ($8,700), Grazing Reserves ($1,800), Food Safety Initiatives ($305), and various Technical Services Programs ($381).

The revenue and expense of each initiative's dedicated revenue and expense are reported in the Statement of Operations.

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Expenses Detailed by Object for the Year Ended March 31, 2000

Schedule 3

(In thousands)

	2000 Budget (a)	2000 Actual	1999 Actual
Voted			
Salaries, wages and employee benefits	$ 69,293	$ 69,978	$ 69,197
Supplies and services	27,559	27,829	27,153
Grants	267,182	453,529	178,094
Financial transactions and other	68	350	97
Amortization of capital assets	4,348	3,886	3,994
Total voted expenses	$368,450	$555,572	$278,585
Statutory			
Other	$ –	$ –	$ 75

(a) Effective April 1, 1999, the responsibilities of the Department changed as a result of a major reorganization and other transfers of responsibility announced by the government during the year. This budget amount has restated the 1999-2000 Government and Lottery Fund Estimates that were approved on May 25, 1999 for both the major reorganization and transfers of responsibility authorized during the year. The breakdown of expenses by object is based on management's best estimate.

Department - continued

Department of Agriculture, Food and Rural Development - Schedule of Authorized Budget for the Year Ended March 31, 2000

Schedule 4

(in thousands)

	1999-2000 Estimates Restated (a)	Authorized Supplementary (b)	1999-2000 Authorized Budget
Revenues			
Internal Government Transfers	$ 42,430	$ -	$ 42,430
Transfers from the Government of Canada	48,121	-	48,121
Fees, Permits and Licenses	12,177	-	12,177
Other Revenue	1,580	-	1,580
	$ 104,308	$ -	$ 104,308
Expenses			
Ministry Support Services	$ 16,990	$ 327	$ 17,317
Planning and Competitiveness	92,329	614	92,943
Industry Development	43,526	611	44,137
Sustainable Agriculture	54,360	3,617	57,977
Financial Assistance to Alberta Opportunity Company	5,447	128	5,575
Agriculture Insurance and Lending Assistance	155,798	187,082	342,880
	368,450	192,379	560,829
Valuation adjustments			
Provision for doubtful accounts	(110)	-	(110)
Provision for vacation pay	(280)	-	(280)
	(390)	-	(390)
Total Expenses	368,060	192,379	560,439
(Gain) Loss on Disposal of Capital Assets	-	-	-
Net Operating Results	$(263,752)	$(192,379)	$(456,131)
Capital Investment	$ 1,691	$ -	$ 1,691

(a) Effective April 1, 1999, the responsibilities of the Department changed as a result of a major reorganization and other transfers of responsibility announced by the government during the year. This budget amount has restated the 1999-2000 Government and Lottery Fund Estimates that were approved on May 25, 1999 for both the major reorganization and transfers of responsibility authorized during the year.

(b) Supplementary estimates were approved on December 19, 1999. Treasury Board approval is pursuant to section 29 (1.1) of the Financial Administration Act.

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses by Element to Authorized Budget for the Year Ended March 31, 2000

Schedule 5

(in thousands)

		1999-2000 Estimates Restated (a)	Authorized Supplementary (b)	1999-2000 Authorized Budget	1999-2000 Actual Expenses	Unexpended (Over Expended)
Voted Expenses						
1.0	Ministry Support Services					
1.0.1	Minister's Office	$ 386	$ 11	$ 397	$ 378	$ 19
1.0.2	Standing Policy Committee on Agriculture and Rural Development	115	2	117	91	26
1.0.3	Deputy Minister's Office	243	12	255	326	(71)
1.0.4	Farmers' Advocate	483	18	501	529	(28)
1.0.5	Surface Rights and Land Compensation Boards	2,172	35	2,207	2,946	(739)
1.0.6	Finance	4,032	20	4,052	4,502	(450)
1.0.7	Internal Audit	161	5	166	166	–
1.0.8	Information Technology					
	– Operating Expense	2,503	39	2,542	2,532	10
	– Capital Expense	70	–	70	46	24
1.0.9	Communications					
	– Operating Expense	2,885	160	3,045	2,963	82
	– Capital Expense	–	–	–	37	(37)
1.0.10	Industry Information Network	954	4	958	792	166
1.0.11	Knowledge Management					
	– Operating Expense	700	6	706	394	312
	– Capital Expense	–	–	–	26	(26)
1.0.12	Human Resources	1,721	15	1,736	1,540	196
1.0.13	Amortization of Capital Assets	635	–	635	399	236
	Total Program	17,060	327	17,387	17,667	(280)

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses by Element to Authorized Budget for the Year Ended March 31, 2000

Schedule 5 continued		1999-2000 Estimates Restated (a)	Authorized Supplementary (b)	1999-2000 Authorized Budget	1999-2000 Actual Expenses	Unexpended (Over Expended)
2.0	Planning and Competitiveness					
2.1	Program Support					
2.1.1	Assistant Deputy Minister	208	6	214	260	(46)
2.1.2	Policy Secretariat	2,959	71	3,030	3,287	(257)
2.1.3	Alberta Grain Commission	231	2	233	205	28
2.1.4	Amortization of Capital Assets	1,572	–	1,572	1,491	81
	Total Sub-program	4,970	79	5,049	5,243	(194)
2.2	Economics and Competitiveness					
2.2.1	Administrative Support	897	21	918	745	173
2.2.2	Grain Sector Task Force	246	8	254	205	49
2.2.3	Statistics and Data Development	794	11	805	793	12
2.2.4	Economics	957	21	978	895	83
2.2.5	Competitive Intelligence	239	3	242	249	(7)
2.2.6	Strategic Information Services	576	5	581	381	200
2.2.7	Asia	–	–	–	–	–
2.2.8	The Americas	–	–	–	–	–
2.2.9	Europe and Emerging Markets	–	–	–	–	–
	Total Sub-program	3,709	69	3,778	3,268	510

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses by Element to Authorized Budget for the Year Ended March 31, 2000

Schedule 5 continued		1999-2000 Estimates Restated (a)	Authorized Supplementary (b)	1999-2000 Authorized Budget	1999-2000 Actual Expenses	Unexpended (Over Expended)
2.3	Rural Development					
2.3.1	Administrative Support	257	5	262	262	–
2.3.2	4-H	1,121	5	1,126	1,165	(39)
2.3.3	Agriculture Business Management	1,189	20	1,209	1,215	(6)
2.3.4	Educational and Community Services					
	– Operating Expense	602	18	620	–	620
	– Operating Expense funded by Lotteries	2,000	–	2,000	2,026	(26)
2.3.5	Agricultural Service Boards					
	– Operating Expense	–	–	–	–	–
	– Operating Expense funded by Lotteries	5,000	–	5,000	4,983	17
2.3.6	Agriculture Initiatives					
	– Operating Expense funded by Lotteries	11,230	390	11,620	11,597	23
	Total Sub-program	21,399	438	21,837	21,248	589
2.4	Farm Income Support					
2.4.1	Management and Operations	3,151	28	3,179	2,380	799
2.4.2	Farm Fuel Distribution Allowance	33,500	–	33,500	32,771	729
2.4.3	Development Funding	25,600	–	25,600	23,650	1,950
2.4.4	Employment Skills Program	–	–	–	–	–
2.4.5	Disaster Recovery Programs	–	–	–	–	–
2.4.6	Farm Income Assistance Program 2000	–	–	–	131,400	(131,400)
	Total Sub-program	62,251	28	62,279	190,201	(127,922)
	Total Program	92,329	614	92,943	219,960	(127,017)

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses by Element to Authorized Budget for the Year Ended March 31, 2000

Schedule 5 continued		1999-2000 Estimates Restated (a)	Authorized Supplementary (b)	1999-2000 Authorized Budget	1999-2000 Actual Expenses	Unexpended (Over Expended)
3.0	Industry Development					
3.1	Program Support					
3.1.1	Assistant Deputy Minister	291	5	296	278	18
3.1.2	Marketing Council	531	6	537	442	95
3.1.3	Dairy Control Board	164	17	181	181	–
3.1.4	Amortization of Capital Assets	476	–	476	270	206
	Total Sub-program	1,462	28	1,490	1,171	319
3.2	Animal Industry					
3.2.1	Administrative Support	214	5	219	259	(40)
3.2.2	Beef, Cattle and Sheep	1,304	9	1,313	1,402	(89)
3.2.3	Pork, Poultry and Horse	1,545	18	1,563	1,361	202
3.2.4	Biometrics and Entomology	361	30	391	398	(7)
3.2.5	Diversified Livestock	1,657	25	1,682	1,770	(88)
3.2.6	Forage	885	10	895	904	(9)
	Total Sub-program	5,966	97	6,063	6,094	(31)
3.3	Plant Industry					
3.3.1	Administrative Support					
	– Operating Expense	519	6	525	578	(53)
	– Capital Investment	350	–	350	341	9
3.3.2	Agronomy	2,531	49	2,580	2,603	(23)
3.3.3	Cereals and Oilseeds	1,723	11	1,734	1,777	(43)
3.3.4	Crop Diversification Centre – North	1,659	12	1,671	1,735	(64)
3.3.5	Crop Diversification Centre – South	2,314	16	2,330	2,380	(50)
3.3.6	Pest Prevention	1,023	14	1,037	1,061	(24)
	Total Sub-program	10,119	108	10,227	10,475	(248)

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses by Element to Authorized Budget for the Year Ended March 31, 2000

Schedule 5 continued		1999-2000 Estimates Restated (a)	Authorized Supplementary (b)	1999-2000 Authorized Budget	1999-2000 Actual Expenses	Unexpended (Over Expended)
3.4	Processing Industry					
3.4.1	Administrative Support	171	5	176	221	(45)
3.4.2	Agri-Food Development					
	– Operating Expense	539	54	593	–	593
	– Operating Expense funded by Lotteries	500	–	500	1,063	(563)
3.4.3	Food Processing Development Centre					
	– Operating Expense	2,345	85	2,430	2,500	(70)
	– Capital Investment	266	–	266	176	90
3.4.4	Investment Development	921	49	970	997	(27)
3.4.5	Infrastructure Assistance Municipal Wastewater					
	– Operating Expense	1,000	–	1,000	–	1,000
	– Operating Expense funded by Lotteries	5,000	–	5,000	2,540	2,460
	Total Sub-program	10,742	193	10,935	7,497	3,438
3.5	Regional Advisory Services					
3.5.1	Southern Region	3,411	36	3,447	3,506	(59)
3.5.2	Central Region	3,575	48	3,623	3,694	(71)
3.5.3	Northern Region	6,223	70	6,293	6,637	(344)
3.5.4	Peace Region	2,644	31	2,675	2,680	(5)
	Total Sub-program	15,853	185	16,038	16,517	(479)
	Total Program	44,142	611	44,753	41,754	2,999
4.0	Sustainable Agriculture					
4.1	Program Support					
4.1.1	Assistant Deputy Minister	198	6	204	206	(2)
4.1.2	Amortization of Capital Assets	1,665	–	1,665	1,727	(62)
	Total Sub-program	1,863	6	1,869	1,933	(64)

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses by Element to Authorized Budget for the Year Ended March 31, 2000

Schedule 5 continued		1999-2000 Estimates Restated (a)	Authorized Supplementary (b)	1999-2000 Authorized Budget	1999-2000 Actual Expenses	Unexpended (Over Expended)
4.2	Public Lands					
4.2.1	Public Lands Management					
	– Operating Expense	8,540	118	8,658	8,558	100
	– Capital Investment	400	–	400	391	9
4.2.2	Grazing Reserves					
	– Operating Expense	1,900	13	1,913	1,550	363
	– Capital Investment	25	–	25	26	(1)
	Total Sub-program	10,865	131	10,996	10,525	471
4.3	Resource Management and Irrigation					
4.3.1	Administrative Support	210	10	220	327	(107)
4.3.2	Environmentally Sustainable Agriculture	4,486	14	4,500	4,286	214
4.3.3	Conservation and Development	2,204	25	2,229	2,469	(240)
4.3.4	Irrigation					
	– Operating Expense	4,061	37	4,098	4,175	(77)
	– Capital Investment	200	–	200	207	(7)
4.3.5	Irrigation Secretariat	255	4	259	259	–
4.3.6	Infrastructure Assistance Irrigation					
	– Operating Expense	–	3,000	3,000	7,529	(4,529)
	– Operating Expense funded by Lotteries	17,200	–	17,200	17,200	–
	Total Sub-program	28,616	3,090	31,706	36,452	(4,746)

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses by Element to Authorized Budget for the Year Ended March 31, 2000

Schedule 5 continued		1999-2000 Estimates Restated (a)	Authorized Supplementary (b)	1999-2000 Authorized Budget	1999-2000 Actual Expenses	Unexpended (Over Expended)
4.4	Food Safety					
4.4.1	Administrative Support					
	– Operating Expense	155	4	159	310	(151)
	– Capital Investment	380	–	380	215	165
4.4.2	Agri-Food Surveillance	1,577	20	1,597	1,483	114
4.4.3	Agri-Food Laboratories	2,680	18	2,698	2,945	(247)
4.4.4	Regulatory Services	3,308	71	3,379	4,516	(1,137)
4.4.5	Safe Food Assurance	1,339	21	1,360	1,022	338
	Total Sub-program	9,439	134	9,573	10,491	(918)
4.5	Technical Services					
4.5.1	Administrative Support	165	5	170	184	(14)
4.5.2	Animal Welfare	1,005	5	1,010	1,045	(35)
4.5.3	Engineering Services					
	– Operating Expense	495	233	728	–	728
	– Operating Expense funded by Lotteries	1,500	–	1,500	2,274	(774)
4.5.4	Livestock Operations	1,134	12	1,146	894	252
4.5.5	Livestock Expansion and Development	283	1	284	313	(29)
	Total Sub-program	4,582	256	4,838	4,710	128
	Total Program	55,365	3,617	58,982	64,111	(5,129)
5.0	Financial Assistance to Alberta Opportunity Company					
5.0.1	Financial Assistance to Alberta Opportunity Company	5,447	128	5,575	5,575	–
	Total Program	5,447	128	5,575	5,575	–

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses by Element to Authorized Budget for the Year Ended March 31, 2000

Schedule 5 continued		**1999-2000 Estimates Restated (a)**	**Authorized Supplementary (b)**	**1999-2000 Authorized Budget**	**1999-2000 Actual Expenses**	**Unexpended (Over Expended)**
6.0	Agriculture Assistance					
6.0.1	Lending Assistance	18,601	2,981	21,582	18,441	3,141
6.0.2	Farm Income Disaster	74,648	184,101	258,749	132,858	125,891
6.0.3	Crop Insurance	59,605	–	59,605	55,275	4,330
6.0.4	Wildlife Damage	2,944	–	2,944	1,396	1,548
	Total Program	155,798	187,082	342,880	207,970	134,910
	Total Voted Expenses	$370,141	$192,379	$562,520	$557,037	$5,483
	Program Operating Expense	$326,020	$191,989	$518,009	$513,889	$4,057
	Program Operating Expense funded by Lotteries	42,430	390	42,820	41,683	1,137
		368,450	192,379	560,829	555,572	5,194
	Program Capital Investment	1,691	–	1,691	1,465	289
	Program Capital Investment funded by Lotteries	–	–	–	–	–
		1,691	–	1,691	1,465	289
	Total Voted Expenses	$370,141	$192,379	$562,520	$557,037	$5,483

(a) Effective April 1, 1999, the responsibilities of the Department changed as a result of a major reorganization announced by the government and other transfers of responsibility announced during the year. This budget amount has restated the 1999-2000 Government and Lottery Fund Estimates that were approved on May 25, 1999 for both the major reorganization and other transfers of responsibility authorized during the year.

(b) Supplementary Estimates were approved on December 9, 1999. Treasury Board approval is pursuant to section 29 (1.1) of the Financial Administration Act.

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Salary and Benefits for the Year Ended March 31, 2000

Schedule 6

	2000			1999
	Salary [1][2]	Benefits & Allowances [1][3]	Total	Total
Department				
Senior Official				
Deputy Minister[4]	$153,696	$39,214	$192,910	$169,096
Executives – Assistant Deputy Ministers				
Planning and Competitiveness[6]	114,190	33,917	148,107	134,560
Industry Development[7]	27,184	5,162	32,346	-
Sustainable Agriculture[8]	114,190	25,296	139,486	136,700
Executives – Other				
Exec. Director, Administration	98,414	17,535	115,949	115,152
Exec. Director, Research	91,716	18,532	110,248	115,705
Boards and Agencies				
Senior Officials – Boards and Agencies				
Chairman, Surface Rights and Land Compensation Board	102,834	12,479	115,313	111,160
Farmer's Advocate	74,561	4,688	79,249	79,123
General Manager, Agricultural Products Marketing Council[9]	77,424	14,005	91,429	105,520

(1) Prepared in accordance with Treasury Board Directive 12/98. The schedule includes the salary and benefits of the last incumbent. Where the last incumbent has held the position for part of the year, his/her salary and benefits as an executive in previous positions within the government reporting entity are also included.

(2) Salary includes regular base pay, bonuses, overtime and lump sum payments.

(3) Benefits and allowances include the government's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long-term disability plans, WCB premiums, professional memberships and tuition fees.

(4) Automobile provided, no dollar amount included in benefits and allowances figures.

(5) Vacation paid out to Executives includes: Deputy $7,816 ($7,184 in 1999), Assistant Deputy Minister – Planning and Competitiveness $10,259 ($4,167 in 1999), Assistant Deputy Minister – Industry Development $0 ($0 in 1999), Assistant Deputy Minister - Sustainable Agriculture $2,052 ($6,034 in 1999), Executive Director, Administration $0 ($0 in 1999), Executive Director, Research $1,757 ($1,723 in 1999).

(6) As a result of reorganization on April 6, 1999, the title of the position changed on April 6, 1999, from Assistant Deputy Minister, Planning and Development to Assistant Deputy Minister, Planning and Competitiveness.

(7) As a result of reorganization on April 6, 1999, the title of the position changed on April 6, 1999, from Assistant Deputy Minister, Production and Marketing to Assistant Deputy Minister, Industry Development. The incumbent has been in an acting capacity since December 15, 1999. The former occupant was transferred to the Department of Economic Development as a result of the Government Reorganization.

(8) As a result of reorganization on April 6, 1999, the title of the position changed on April 6, 1999, from Assistant Deputy Minister, Field Services to Assistant Deputy Minister, Sustainable Agriculture.

(9) Position occupied by more than one individual during the year. The incumbent has been in an acting capacity since December 15, 1999.

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Related Party Transactions for the Year Ended March 31, 2000

Schedule 7

(In thousands)

Related parties are those entities consolidated in the Province of Alberta's financial statements. Related parties also include management in the Department.

The Department and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Department had the following transactions with related parties recorded at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2000	1999	2000	1999
Revenues –				
Fees and charges	$ –	$ –	$ 1	$ 1
Other	–	–	28	159
	$ –	$ –	$ 29	$ 160
Expenses –				
Grants	$213,726	$83,173	$ 624	$ –
Other services	–	–	1,928	2,222
	$213,726	$83,173	$2,552	$2,222
Capital Assets Transferred	$ –	$ –	$ 7	$ 54

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements.

	Entities in the Ministry		Other Entities	
	2000	1999	2000	1999
Expenses (notional) –				
Accommodation	$ –	$ –	$8,624	$8,583
Other services	–	–	231	252
	$ –	$ –	$8,855	$8,835

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Directors of the
Agriculture Financial Services Corporation

I have audited the balance sheet of the Agriculture Financial Services Corporation as at March 31, 2000 and the statements of revenue, expense and surplus, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2000 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine
FCA
Auditor General

Edmonton, Alberta
May 12, 2000

Balance Sheet as at March 31, 2000

(in thousands)

	2000	1999 (Restated)
Assets		
Cash	$ 23,166	$ 37,405
Accounts receivable *(Note 6)*	4,916	3,671
Due from Province of Alberta	71,174	15,644
Due from Government of Canada	147,712	61,380
Loans receivable *(Note 2(l), 7)*	710,202	671,119
Investments *(Note 8)*	439,093	347,054
Property held for sale *(Note 9)*	41	127
Capital assets *(Note 10)*	17,363	13,212
	$1,413,667	**$1,149,612**
Liabilities and Surplus		
Accounts payable and accrued liabilities	$ 18,462	$ 18,196
Estimated indemnities payable *(Note 2(l), 11)*	226,638	95,407
Due to Crop Reinsurance Fund of Alberta *(Note 12)*	53,528	53,564
Allowance for losses on loan guarantees *(Note 19)*	2,649	3,140
Debentures and notes payable *(Note 13)*	684,889	655,585
Deferred revenue *(Note 14)*	19,667	14,013
	1,005,833	839,905
Surplus	407,834	309,707
	$1,413,667	**$1,149,612**

The accompanying notes and schedules are part of these financial statements.

Statement of Revenue, Expense and Surplus for the Year Ended March 31, 2000

(in thousands)

	2000 Budget (Note 3(a))	2000 Actual (Schedule 1)	1999 Actual (Restated)
Revenue			
Premiums from insured persons, net *(Note 15)*	$ 67,937	$ 66,563	$ 70,829
Interest *(Note 16)*	50,741	50,646	49,869
Contribution from Province of Alberta, net *(Note 15)*	336,142	202,416	70,911
Contribution from Government of Canada, net *(Note 15)*	93,304	153,569	108,289
Investment income	20,140	20,912	18,408
Fees and other income *(Note 3(c))*	6,282	4,464	3,969
Amortization of loan discounts	1,244	1,081	2,141
	575,790	**499,651**	324,416
Expense			
Indemnities *(Note 15)*	405,697	301,724	171,292
Interest	50,547	46,822	51,443
Administration, Schedule 2 *(Note 3 (c))*	43,007	39,387	34,267
Farm loan incentives	4,674	5,637	3,858
Selling commissions	1,800	1,611	1,704
Provision for doubtful accounts and for losses *(Note 18)*	4,520	6,394	(395)
	510,245	**401,575**	262,169
Excess of revenue over expenses before recoveries	65,545	98,076	62,247
Net recoveries, Schedule 1	–	51	2
Surplus for the year	**$ 65,545**	**98,127**	62,249
Surplus at beginning of year		309,707	247,458
Surplus at end of year		**$407,834**	**$309,707**

The accompanying notes and schedules are part of these financial statements.

Statement of Cash Flows for the Year Ended March 31, 2000

(in thousands)

	2000	1999 (Restated)
Operating Activities		
Surplus for the year	$ 98,127	$ 62,249
Changes not affecting cash	(2,137)	(8,640)
Changes in assets and liabilities relating to operations	(18,513)	(12,615)
Net cash provided by operating activities	**77,477**	40,994
Investing Activities		
Proceeds from repayments of loans receivable and sale of properties	88,392	101,676
Loan disbursements	(135,363)	(108,172)
Change in investments	(79,965)	(63,432)
Purchase of capital assets	(6,701)	(7,700)
Proceeds on disposal of capital assets	19	29
Net cash utilized by investing activities	**(133,618)**	(77,599)
Financing Activities		
Borrowing from the Province of Alberta	861,758	494,081
Repayment of borrowing from the Province of Alberta	(826,303)	(481,570)
Government of Canada funding for capital assets	2,799	2,972
Province of Alberta funding for capital assets	3,648	4,426
Net cash provided by financing activities	**41,902**	19,909
Net decrease in cash from operating, investing and financing activities	**(14,239)**	(16,696)
Cash at beginning of year	37,405	54,101
Cash at end of year	**$ 23,166**	**$ 37,405**

The accompanying notes and schedules are part of these financial statements.

Notes to the Financial Statements March 31, 2000

Note 1 Authority and Purpose

The Agriculture Financial Services Corporation (the "Corporation") operates under the authority of the Agriculture Financial Services Act, Chapter A-12.5, 1993.

The Corporation provides lending and insurance services and compensation programs. Its core programs and services include loans to beginning farmers, commercial lending, crop insurance, hail insurance and farm income disaster payments. It also delivers other programs and services including loans to developing farmers, disaster loans, loan guarantees, and business planning/counseling. The Corporation acts as Alberta agent for commercial lending for the federal Farm Credit Corporation.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Revenue Recognition

Interest revenue on loans receivable is recognized as earned unless the ultimate collectibility of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized.

Premiums, including federal and provincial government contributions, are recognized as income when invoiced to producers.

Federal and provincial contributions for capital asset acquisitions are deferred and recognized based on the same schedule as the capital assets are amortized.

Loan application fees are recognized when the applications are received and loan fees are recognized at the time of loan disbursement. Farm Income Disaster Program application and administration fees are accrued based on the number of applications and the amount of estimated indemnities. Other fees are recorded when the Corporation completes the applicable service.

(b) Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. Interest is earned on the daily cash balance at the average rate of CCITF earnings, which varies depending on prevailing market interest rates.

(c) Fair Value of Financial Instruments

Because of the relatively short period to maturity, short-term financial instruments are valued at cost, adjusted for allowance for doubtful accounts, if applicable; which is considered to be equivalent to fair value. This approach applies to cash, accounts receivable, Due from Province of Alberta, Due from Government of Canada, accounts payable and accrued liabilities, estimated indemnities payable and Due to Crop Reinsurance Fund of Alberta. Allowance for losses on loan guarantees does not have fair value disclosed due to the difficulty in determining the amount. Fair values of loans receivable, investments, debentures and notes payable are disclosed in their respective notes.

(d) Investments

Investments are carried at cost or amortized cost unless there is an other than temporary decline in the value of the investments, when the investments are written down to recognize the loss. Premiums and discounts on investments are amortized to investment income using the straight-line method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income.

(e) Capital Assets and Amortization

Capital assets are recorded at cost. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Building	25 years
Computer equipment	5 years
Software development costs	10 years
Equipment and furniture	10 years
Vehicles	5 years

Note 2 continued

(f) Property Held for Sale

Property held for sale is recorded at the lower of cost and estimated net realizable value. Cost is comprised of the balance of the loan at the date on which the Corporation obtains title to the property plus subsequent disbursements related to the property less any revenues or lease payments received.

(g) Provision for Losses on Loans and Guarantees

Provisions are established for specifically identified potential losses on loans and guarantees as well as for anticipated but not specifically identified losses. Since the amounts and timing of future cash flows cannot be estimated with reasonable reliability, specific provisions are established by discounting the estimated fair value of security. The change in the present value attributed to the passage of time on the expected future cash flow is adjusted against the provision for doubtful accounts.

An impaired loan is a loan in which there is risk of loss to the Corporation for full and timely collection of the debt. Impairment may be due to a security deficiency, inadequate cash flow, economic factors in a specific segment of the industry or a catastrophic event.

The majority of the Corporation's loan portfolio is with beginning and developing agricultural operations and hence, is subject to higher risk than portfolio's of other lenders. The Corporation recognizes this by providing significant general allowances for doubtful accounts. In establishing the general component of the allowance, management estimates loss percentages and applies them to loans receivable balances categorized into risk pools. Risk pools are established based on land value trends, the impact of federal and provincial government programs, international trade criteria, future commodity price trends, climatic conditions and the financial stability of the borrower.

(h) Loan Discounting

Loans made under the Alberta Farm Income Disaster program, Canada-Alberta Partnership on Agri-food program, and amounts previously deferred under the Indexed Deferral Plan have been discounted because they involve significant concessionary elements. The amounts discounted are being amortized to revenue over the lives of the concessionary terms.

(i) Pensions

The Corporation participates in multiemployer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for service relating to prior years.

(j) Reinsurance Ceded

Premiums, Contributions from the Province of Alberta, Contributions from the Government of Canada and Indemnities are recorded net of amounts ceded to or recoverable from reinsurers.

(k) Transactions with Related Parties

All related party transactions have been recorded at the amount of consideration paid or received as agreed to by the related party, except for donated services (see Note 3(c)(ii)).

Note 2 continued

(l) Measurement Uncertainty

Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount.

Estimated indemnities payable, recorded as $226,638,000 in these financial statements, is subject to measurement uncertainty.

Estimated indemnities payable consist of known liabilities payable at the year end and estimated additional liabilities for indemnities based on historical information about the relationships between the number of claim applications received and the average amount of each application.

The Corporation implemented the Farm Income Disaster Program for the 1995 claim year. The Program may pay a farm business when it experiences a disastrous drop in margins on farm operations. If the program margin for the farming business falls below 70% of the average margin for the best three of the previous five years, an indemnity may be payable. Applications can be submitted for the 1999 tax year until July 31, 2000 and indemnities are paid after applications are received and approved.

The Corporation has recorded a liability to provide for estimated indemnities payable under the Program of $226 million. Indemnities to be paid for the 1999 tax year may be more or less than the estimated $163 million because the majority of the 1999 applications are not received until after March 31, 2000. It is also difficult to predict the estimated indemnities payable because of the impact disasters have on gross margins. The estimated indemnities payable may be as low as $141 million or as high as $192 million. Indemnities payable under the Program are limited to a maximum of $200 million for claims from producers who have year ends in any fiscal year.

Loans receivable, recorded as $710,202,000 in these financial statements, is subject to measurement uncertainty. Loans receivable includes a provision of $26,084,000 for losses on loans. The provision estimated by management (see Note 2(g)) could change significantly in the future, leading to a material change in the provision for losses amount recorded.

Note 3 Financial Structure

(a)

The budget is derived from information contained in the Ministry of Agriculture, Food and Rural Development's Business Plan which is included as supplementary information in the 1999-00 Government Estimates. The original budget was approved by the Board of Directors on August 11, 1998 and a revised budget, reflecting the enhancements to the Farm Income Disaster Program, the introduction of the Alberta Farm Income Disaster loan program and current forecasts of other amounts was approved by the Board on March 23, 2000. The revised budget reflects contributions from the Province of Alberta of $342,125,000 which was authorized through the Legislative Assembly.

The contribution from the Province of Alberta was adjusted by $5,983,000 for ceded reinsurance and deferred revenue. The contribution from the Province of Alberta has not been adjusted for the transfer of the 1999-00 supplementary estimate for achievement bonus.

Note 3 continued

(b) Insurance, Safety Net and Compensation Programs
Programs administered by the Corporation are funded as follows:

	Premiums	Indemnities	Administration Costs
Crop Insurance Coverage up to 50%[1] of risk	20% Producers 40% Alberta 40% Canada	Crop Insurance Fund, Private Sector Reinsurance and Government Reinsurance Funds	50% Alberta 50% Canada
Coverage greater than 50% and Hail Endorsement	50% Producers 25% Alberta 25% Canada		
Farm Income Disaster	N/A	52% Alberta[2] 48% Canada[2]	Producer fees cover about 33% for 1998 claims and Alberta/Canada covered the balance. Alberta/Canada will cost share 100% in subsequent claim years
Hail Insurance	100% Producers	Hail Insurance Fund	100% Producers
Wildlife Compensation Waterfowl	N/A	50% Alberta 50% Canada	50% Alberta 50% Canada
Other	N/A	100% Alberta	100% Alberta

[1] Coverage does not include hail endorsement.

[2] Based on the Federal-Provincial Agreement establishing the Agricultural Income Disaster Assistance Program, the Government of Canada and the provincial governments have agreed to fund an agricultural disaster program called the Agricultural Income Disaster Assistance Program (AIDA). It has been further agreed that Alberta's Farm Income Disaster Program (FIDP) will be used to deliver the majority of this assistance in Alberta. The Government of Canada has a national cap of $870 million for the two years for which AIDA has been approved. Program costs are shared 60% by the Government of Canada and 40% by the provinces where program criteria are similar. Where criteria are different, Alberta funds 100% of the portion of indemnities which are not based on similar criteria. The Government of Canada has informed the provinces that it may be necessary to prorate the federal share of claim payments for the 1999 claim year by as much as 50% in order for Canada to stay within its approved budget for the national program. Therefore, the amount due from Canada may be less than 48% and consequently the amount due from Alberta would reflect an offsetting increase so that total payments to producers would not change.

The Crop Insurance and Waterfowl Compensation programs are administered in accordance with an agreement between the Province of Alberta and the Government of Canada. The agreement determines the percentage of premiums used to fund reinsurance and how indemnities are paid from each of the crop insurance and crop reinsurance funds. During the years ended March 31, 1999 and March 31, 2000, no premiums were transferred to the Crop Reinsurance Fund of Alberta or the Crop Reinsurance Fund of Canada for Alberta. No transfers were required by the agreement because fund balances are deemed adequate to meet indemnity payments.

Note 3 continued

(c) Lending Programs

(i) The Corporation's loans are funded by short and long term borrowing from the General Revenue Fund through the Canadian Note Program On-Lending Agreement. This agreement provides for the Corporation to obtain financing from the Province on the same terms at which the Province borrows that money. The Corporation has a maximum line of credit of $900 million for lending purposes. Prior to April 1, 1995, loans were funded through debentures issued to the Alberta Heritage Savings Trust Fund. The Corporation's lending operations are funded by contributions from the General Revenue Fund of the Province of Alberta through the Department of Agriculture, Food and Rural Development. The Canada-Alberta Partnership on Agri-food is funded by the Province of Alberta and the Government of Canada.

(ii) Certain office accommodation and support costs, amounting to $816,000 (1999 $713,000) provided by the Departments of Agriculture, Food and Rural Development and Alberta Infrastructure are included in the expenses of the Corporation. Since the Corporation is not charged for these costs, donated revenue of $816,000 has been included in fees and other revenue to reflect the value of these services. Some telecommunication services provided by Alberta Infrastructure are not included in the expenses because there is not sufficient information available to quantify the costs. These costs are not considered significant relative to the overall administrative costs of the Corporation.

Note 4 Loan Programs and Repayment Options

(a) Beginning Farmer Program

This program provides loans to eligible beginning farmers. Loans made under this program entitle borrowers, as long as certain conditions are met, to an incentive equal to 1½% of outstanding principal over each of the first five years of the loan. Beginning farmer loans are made for terms of up to 20 years with interest at 7½% and are secured by land and other farm assets.

(b) Commercial Loans

Commercial loans are available to help meet the capital needs of the value-added and agri-food industry in Alberta. Loan terms and rates are similar to other financial institutions.

(c) Developing Farmer Program

The program provides loans to eligible farmers who are unable to obtain commercial or other financing at reasonable terms elsewhere. Loan interest rates are fixed for terms of up to 20 years. Interest rates are based on cost of borrowing for the Province of Alberta.

(d) Alberta Farm Development Loans

Alberta Farm Development Loans are issued by financial institutions to provide short and medium term financing for producers of agricultural products in Alberta. These loans can be for a maximum of $100,000 per individual, partnership or company. The repayment terms are for periods of 20 years or less and interest rates are equal to one of the following:

- lender's prime rate plus 1% for loans up to 10 years with variable rates; or
- lender's prime rate plus 1 ½% for loans over 10 years, and for fixed rate loans.

Since 1973, the Corporation has negotiated three year agreements with financial institutions, to guarantee up to 90% of individual loans to a maximum of 10% of the total loans issued by the institution in any three year period (see Note 19).

(e) Loan Guarantees

The Corporation guarantees certain farm and commercial loans made by other financial institutions and vendors in Alberta. The Province of Alberta indemnifies the Corporation for any losses that might be incurred on loan guarantees (see Note 19).

Note 4 continued

(f) Disaster Assistance Programs

In addition to programs offered under the Agriculture Financial Services Act, the Corporation also administers three disaster assistance programs. The programs were used to provide disaster loans, from 1990 to 1993, with non-interest bearing terms for two or five year periods.

During 1998, a sub program was established to assist producers who had experienced several consecutive years of adverse conditions. Loans are made with a 7% interest rate for up to 10 years and interest can be deferred for up to the first two years.

During 1999, a sub program was established to assist producers where grain, hay and pasture yields have been below Agriculture Financial Services Corporation's 70% coverage level in at least two of the last three years. For other commodities, the operation must have suffered a severe loss of revenue beyond normal income fluctuations associated with commodity price cycles. Loans are made with a 5% interest rate for up to 12 years and interest can be deferred for the first two years. Any legal costs and loan fees will be covered by the Corporation. The program expires on June 30, 2000.

(g) Canada-Alberta Partnership on Agri-food

This program provided financing to help stimulate private sector investment in the agriculture and food processing industry in Alberta. The program provided loans for eligible projects, which were non-interest bearing for a maximum of five years.

(h) Indexed Deferral Plan

Prior to March 31, 1993, the Indexed Deferral Plan allowed for the deferral of certain payments due on loans where that year's commodity price index was less than a 10-year average for the index. The terms of the deferral require that in years where the current commodity index is greater than the 10-year average index, a portion of the deferred balance will be payable. Interest is not charged on amounts deferred under this Plan.

Note 5 Change in Accounting Policy

Pensions

The Corporation has changed the way it accounts for its participation in multiemployer pension plans to a defined contribution basis. This change in accounting policy has been applied retroactively with restatement of comparative amounts. As a result of this change, the 1999 figures have been restated as follows:

	As Previously Reported	Change	Restated
		(in thousands)	
Due from Province of Alberta	$ 16,482	$(838)	$ 15,644
Due from Government of Canada	61,302	78	61,380
Accounts payable and accrued liabilities	18,991	(795)	18,196
Contribution from Province of Alberta	70,710	201	70,911
Contribution from Government of Canada	108,259	30	108,289
Administration expenses	34,026	241	34,267
Surplus for the year	62,259	(10)	62,249
Surplus at end of year	309,672	35	309,707

Note 6 Accounts Receivable

	2000	1999 (Restated)
	(in thousands)	
Premiums from insured persons:		
Crop insurance program	$2,775	$1,318
Hail insurance program	255	431
Farm Income Disaster Program Fees	750	1,175
Other	1,330	1,100
	5,110	4,024
Less allowances for doubtful accounts (Note 18)	(194)	(353)
	$4,916	$3,671

Note 7 Loans Receivable

Assuming that options to renew will be exercised, loans are repayable in installments due as follows:

		2000	1999
		(in thousands)	
Arrears of principal and interest		$ 12,611	$ 14,769
Principal due in :			
Year	1	50,676	49,946
	2	53,495	50,722
	3	53,421	50,609
	4	53,453	49,814
	5	52,696	50,855
Year(s)	6-10	232,033	217,689
Year(s)	over 10	204,521	185,411
Amounts deferred under the Indexed Deferral Plan		5,999	7,539
		718,905	677,354
Add accrued interest		23,010	22,455
		741,915	699,809
Less allowance for doubtful accounts (Note 18)		(26,084)	(23,420)
Less accrued incentives		(2,335)	(2,212)
Less loan discounts		(3,294)	(3,058)
		$710,202	$671,119

Included in the above are loans with concessionary terms which, before discounting, have principal amounts outstanding of:

	2000	1999
	(in thousands)	
Alberta Farm Income Disaster loans	$15,883	–
Indexed Deferral Plan	5,999	$ 7,539
Canada-Alberta Partnership on Agri-food	2,001	5,548
	$23,883	$13,087

Note 7 continued

The allowance for doubtful accounts of $26,084,000 (1999 $23,420,000) includes a specific allowance for $2,538,000 (1999 $2,914,000) on impaired loans outstanding of $14,856,000 (1999 $15,588,000), excluding unamortized loan discount.

The approximate fair value of loans receivable at March 31, 2000 is $642,451,000. Fair value is based on future cash flows discounted by rates equivalent to the market rates on loans with similar terms and credit risk.

Note 8 Investments

	2000	1999
	(in thousands)	
Bonds and debentures –		
Government of Canada, direct and guaranteed	$281,430	$158,909
Province of Alberta	–	5,196
Other provincial direct and guaranteed	92,561	102,346
	373,991	266,451
Fair value	371,397	267,283
Securities –		
Corporate	57,097	77,555
Fair value	57,141	77,579
	431,088	344,006
Accrued Interest	8,005	3,048
	$439,093	$347,054
Fair value	$428,538	$344,862

Fair value is based on quoted market prices. Fair value does not include accrued interest.

Note 9 Property Held for Sale

Property held for sale has been acquired as a result of foreclosures, quit claims and other actions.

	2000	1999
	(in thousands)	
Cost of property	$ 879	$ 714
Less allowance for losses on realization (Note 18)	(838)	(587)
Estimated net realizable value	$ 41	$ 127

Note 10 Capital Assets

	Cost	2000 Accumulated Amortization	Net Book Value	1999 Net Book Value
		(in thousands)		
Land	$ 115	$ –	$ 115	$ 115
Building	2,919	(821)	2,098	2,215
Computer equipment	6,210	(4,865)	1,345	1,478
Software development costs	13,746	(1,375)	12,371	7,964
Equipment and furniture	2,113	(1,134)	979	914
Vehicles	1,115	(660)	455	526
	$26,218	$(8,855)	$17,363	$13,212

Note 11 Estimated Indemnities Payable

	2000	1999 (Restated)
	(in thousands)	
Farm Income Disaster Program	$226,350	$94,457
Crop insurance	268	800
Wildlife compensation	20	150
	$226,638	$95,407

Note 12 Crop Reinsurance Funds

Each year, based on a formula in the Canada/Alberta Crop Insurance Agreement, an agreed portion of crop insurance premiums was set aside in each of the Crop Reinsurance Fund of Alberta and the Crop Reinsurance Fund of Canada for Alberta. In years when indemnities exceed funds available from the Crop Insurance Fund, after recoveries from reinsurers is exhausted (see Note 15), these reinsurance funds are used to pay unsatisfied indemnities. In the event one or both of these reinsurance funds is in a deficit position, the deficit will be funded through future years' premiums. The Crop Reinsurance Fund of Alberta is invested by the Corporation on behalf of the Province of Alberta and, accordingly, is shown as a liability of the Corporation to the Province. This liability of $53,528,000 (1999 $53,564,000) is equal to the closing surplus in the fund. The Crop Reinsurance Fund of Canada for Alberta is held by Canada.

	Crop Reinsurance Fund of Canada for Alberta		Crop Reinsurance Fund of Alberta	
	2000	1999	2000	1999
	(in thousands)		*(in thousands)*	
Opening surplus	$77,306	$77,272	$53,564	$53,586
Current year contributions	(71)	34	(36)	(22)
Closing surplus	$77,235	$77,306	$53,528	$53,564

Note 13 Debentures and Notes Payable

Debentures payable and notes payable to the Province of Alberta are comprised of the following:

	Calendar Year of Maturity	Weighted Average Interest Rate	Principal Outstanding 2000	1999
			(in thousands)	
Short term notes	2000	5.22%	$148,218	$125,351
Debenture A	2004	9.55%	39,720	49,100
Debenture B	2004 - 2005	–	–	14,000
Debenture C	2005	8.53%	28,000	32,000
Debenture D	2006	8.23%	48,500	55,000
Debenture E	2006 - 2007	7.41%	52,800	59,400
Debenture G	2009 - 2010	–	–	57,230
Debenture H	2010 - 2011	8.50%	64,310	68,670
Debenture K	2011	8.16%	30,135	31,777
Debenture L	2001 - 2002	7.38%	21,237	34,035
Note payable 001	2011	7.56%	21,279	22,405
Note payable 002	2010	5.58%	46,973	50,031
Note payable 003	2013	5.39%	45,192	47,883
Note payable 004	2013	5.39%	32,164	–
Note payable 005	2016	6.52%	98,923	–
			677,451	646,882
Accrued interest			7,438	8,703
			$684,889	$655,585

Principal repayments due in each of the next five years are as follows:

	(in thousands)
Year ending March 31, 2001	$340,505
2002	$ 97,381
2003	$ 23,470
2004	$ 24,281
2005	$ 16,871

The approximate fair value at March 31, 2000 is $685,005,000 (1999 $672,335,000). Fair values for debentures and notes are based on the net present value of future cash flows. Each individual cash flow payment is discounted at a rate which matches the term of the cash flow payment and is adjusted for a yield premium to reflect several factors. These include a liquidity premium to reflect the fact that if the debentures and notes are sold, there will be a limited pool of these securities trading in the market; and that the debentures and notes would be new to the market and are not direct issues of the Province; a premium for periodic interest reset feature where applicable, and a factor to reflect the blended payment structure of the debentures and notes.

Note 14 Deferred Revenue

Deferred revenue is comprised of Canada-Alberta Partnership on Agri-food (CAPA) contributions, grants received from the Government of Canada and the Province of Alberta for capital asset acquisitions and premiums from insured persons for the 2000 crop year. The unamortized portion of these contributions is shown as Deferred revenue on the balance sheet and is comprised of the following:

	2000	1999
	(in thousands)	
Province of Alberta capital asset grants	$ 8,637	$ 6,459
Government of Canada capital asset grants	6,057	4,129
Deferred CAPA contributions	3,382	3,425
Premiums from insured persons	1,591	–
	$19,667	$14,013

Note 15 Reinsurance

The Corporation reinsures a portion of insurance contracts which reduces the liability of the Corporation. The Corporation has obtained reinsurance for Crop Insurance in addition to what is covered by the cost sharing agreement between the Province of Alberta and Government of Canada (see Note 3(b)) and Hail Insurance. For Crop Insurance, two layers of reinsurance were obtained resulting in coverage of annual losses in excess of annual premiums. The first layer covers 100% of losses between 115% and 140% of gross premiums with a maximum dollar limit of $37.4 million. The second layer covers 100% of losses between 140% and 180% of gross premiums with a maximum dollar limit of $59.9 million.

The Corporation has also obtained insurance for incremental crop loss adjusting expenses. The coverage is for 100% of loss adjusting expenses in excess of 2.5% of gross premiums if losses were greater than 115% of gross premiums with a maximum annual dollar limit of $3 million.

For Hail Insurance, a layer of reinsurance was obtained which covers 97.5% of losses between 110% and 125% of gross premiums paid by insured persons with a dollar limit of $2.9 million.

The figures shown on the Statement of Revenue, Expense and Surplus are net of the following amounts relating to reinsurance ceded to other reinsurers. The Contribution from Province of Alberta and Contribution from Government of Canada on the Statement of Revenue, Expense and Surplus include contributions for administration expenses. Amounts included in the following table pertain to contributions for premiums and related reinsurance premiums (amounts ceded).

	2000			1999
	Gross	Ceded	Net	Net
		(in thousands)		
Crop Insurance				
Premiums from insured persons	$56,964	$(4,040)	$52,924	$ 55,495
Contribution from Province of Alberta for premiums	44,175	(3,141)	41,034	50,021
Contribution from Government of Canada for premiums	44,175	(3,141)	41,034	40,302
Indemnities	57,221	–	57,221	103,258
Hail Insurance				
Premiums from insured persons	13,812	(173)	13,639	15,334
Indemnities	10,750	138	10,888	11,541

Note 16 Interest Revenue

The Corporation does not recognize interest revenue on loans receivable where collection of the interest is in doubt. The amount of unrecognized interest revenue for 2000 was $443,000. In 1999, certain loans which had been considered as impaired in previous years were no longer considered impaired. Therefore, unrecognized interest from previous years on these loans was recognized in 1999, resulting in a net recovery of interest for 1999 of $809,000.

Note 17 Pensions

The Corporation participates in the multiemployer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Corporation also participates in the multiemployer Supplementary Retirement Plan for Public Service Managers established by the government effective July 1, 1999. The expense for these pension plans is equivalent to the annual contributions of $854,000 for the year ending March 31, 2000 (1999 $797,000).

Effective January 1, 1999, the Corporation's contribution to the Public Service Pension Plan was reduced by .3% of pensionable salaries.

At December 31, 1999, the Management Employees Pension Plan reported a surplus of $46,019,000 (1998 $4,355,000) and the Public Service Pension Plan reported a surplus of $517,020,000 (1998 $406,445,000). At December 31, 1999, the Supplementary Retirement Plan for Public Service Managers had a surplus of $33,000.

Note 18 Allowances for Doubtful Accounts and for Losses

	Accounts Receivable (Note 6)	Loans Receivable (Note 7)	Property Held for Sale (Note 9)	Loan Guarantees (Note 19)	Total
			(in thousands)		
Allowances at March 31, 1998	$ 152	$20,487	$ 740	$ 7,126	$28,505
Transfers to property for sale in 1998-99	–	(95)	95	–	–
Provision for 1998-99	250	3,515	(174)	(3,986)	(395)
Write-offs in 1998-99	(49)	(487)	(74)	–	(610)
Allowances at March 31, 1999	353	23,420	587	3,140	27,500
Transfer to property for sale in 1999-00	–	(232)	232	–	–
Provision for 1999-00	32	6,463	390	(491)	6,394
Write-offs in 1999-00	(191)	(3,567)	(371)	–	(4,129)
Allowances at March 31, 2000	$ 194	$26,084	$ 838	$ 2,649	$29,765

Note 19 Contingencies and Commitments

	2000	1999
	(in thousands)	
Loan guarantees	$58,560	$65,025
Less allowance for losses (Note 18)	(2,649)	(3,140)
Total contingencies	$55,911	$61,885
Estimated farm loan incentives	$15,459	$13,276
Approved, undisbursed loans	35,411	23,028
Reinsurance	10,270	22,400
Total commitments	$61,140	$58,704

Contingencies under the Alberta Farm Development Loans program comprise $51,323,000 of the loan guarantees. Loans made by other financial institutions outstanding under this program at March 31, 2000 were $149,264,000 (1999 $162,709,000).

There are legal actions outstanding against the Corporation but it is expected that these actions will not result in significant costs to the Corporation.

Note 20 Credit Risk and Interest Risk

(a) Credit Risk

Credit risk is the risk that a debtor may not pay amounts owing thus resulting in a loss. To mitigate this risk, the Corporation has developed the following policies.

Lending staff manage the Corporation's significant credit risk exposure in the beginning and developing agricultural business loans by monitoring accounts very closely. This enables the Corporation to counsel owners of businesses to take quick action if problems start to occur and enables the Corporation to take prompt action to realize on its security. Security requirements for individual loans reflect the degree of risk in each particular operation. Businesses needing specialized and customized equipment, or those involved with new and emerging segments of agriculture, are required to have significantly higher security margins than enterprises in more traditional parts of agriculture. Although these measures do not eliminate the risk, they do reduce the risk of significant losses if there is a province-wide economic downturn in the agri-industry.

The Corporation, through its reinsurance broker, monitors the concentration of credit risk for the insurance contract it holds (see Note 15) with each reinsurer and evaluates the financial condition of each reinsurer. There is no significant reliance on any one reinsurer.

For insurance premiums receivable, a discount is provided for early payment of premiums. Payment arrangements are set for all customers not taking advantage of the offered discount. Outstanding premiums are closely monitored by insurance staff and collection action is taken promptly when required. Insurance contracts cannot be renewed if premiums for the prior year are outstanding at the renewal date.

(b) Interest Risk

Interest rate risk is the impact future changes of interest rates has on cash flows and fair value of assets and liabilities. To mitigate this risk, a matching is planned of repayment timing of amounts borrowed with loans made.

The Corporation has negotiated with Alberta Treasury to refinance long-term debt over the next two years. As outstanding Heritage Fund debentures reach five-year interest re-negotiation dates, these debentures will be paid out and replaced with long-term borrowing with fixed interest rates. Terms of this replacement borrowing – and any borrowing needed to fund new loans made by the Corporation – will be based on fixed interest rate financing, and terms will be designed to bring about appropriate matching of borrowing and lending amortization periods by 2002. This will minimize the interest rate risk on the existing portfolio.

Interest rates are fixed for the life of Beginning Farmer loans, the major portion of the Corporation's loan portfolio. The Corporation does not set these rates to reflect the cost of money in the market. To maintain the current interest rate for future Beginning Farmer loans if there are significant increases in market interest rates, increases in the contribution from the Province will be required.

Note 20 continued

The following provides a breakdown of the gaps between the debentures and notes payable and loan portfolio.

	Term to Maturity [1]				Not [2] Interest Rate Sensitive	2000	1999
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years		Total	Total (Restated)
				(in thousands)			
Direct farm loans	$ 11,507	$ 34,753	$152,448	$468,618	$12,115	$679,441	$644,125
Yield [3]	7.74%	7.63%	7.53%	7.47%		7.49%	7.55%
Commercial loans	4,773	19,164	4,397	130	2,297	30,761	26,994
Yield [3]	5.90%	9.27%	9.27%	12.00%		7.78%	6.70%
Total	16,280	53,917	156,845	468,748	14,412	710,202	671,119
Yield [3]	7.20%	7.72%	7.58%	7.47%		7.51%	7.52%
Debentures & notes payable Province of Alberta	295,163	137,757	–	244,531	–	677,451	646,882
Yield [3]	7.59%	8.44%	–	6.09%		6.33%	6.73%
Accrued Interest	1,625	1,792	–	4,021	–	7,438	8,703
Total	296,788	139,549	–	248,552	–	684,889	655,585
Net gap	$(280,508)	$(85,632)	$156,845	$220,196	$14,412	$ 25,313	$ 15,534

The net gap position represents the mismatching of the financing with the loan portfolio at March 31, 2000. The gaps provide an indication of the potential risks to the Corporation if interest rates change. The gaps will change dramatically as the Heritage Fund debentures are refinanced. At March 31, 2000 an immediate and sustained increase in interest rates by 1% would decrease the surplus for the next fiscal year by $20,275,000. A corresponding decrease in interest rates would increase the surplus by a similar amount over the same period.

This gap analysis does not include the investment portfolio, which is disclosed separately below. Investments are not included because investments relate to insurance program cash flows which are managed separately from lending program cash flows.

The Corporation's Investment Policy is set with terms that attempt to anticipate the expected future cash flows of the Crop and Hail fund. The expected future cash flows are based on historical information modified for current factors that may impact historical results.

Note 20 continued

The following provides a breakdown of the investment portfolio by term to maturity.

	Term to Maturity [1]				2000	1999
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Total	Total
	(in thousands)					
Bonds and debentures –	$48,729	$299,385	$13,491	$12,386	$373,991	$266,451
Yield [3]	4.96%	5.87%	5.51%	5.95%	5.74%	5.08%
Securities –						
Corporate	–	57,097	–	–	57,097	77,555
Yield [3]	–	6.55%	–	–	6.55%	4.88%
	48,729	356,482	13,491	12,386	431,088	344,006
Accrued interest	1,374	6,111	231	289	8,005	3,048
	$50,103	$362,593	$13,722	$12,675	$439,093	$347,054

[1] For loans, term to maturity reflects the period of time until an interest rate renegotiation date or the maturity date of the loan. For debentures and notes payable, term to maturity reflects the period of time until an interest rate renegotiation date or the maturity date of the long-term debt. The interest rates are fixed for either a five year period or until maturity. Repayment is either by semi-annual or annual installments of principal. The Provincial Treasurer may permit all or part of debentures to be redeemed by the issuer prior to maturity without penalty and the Corporation will redeem debentures when cash flow is adequate and the Provincial Treasurer authorizes redemption. For investments, term to maturity classifications are based on contractual maturity of the security.

[2] Includes indexed deferral loans, net impaired loans, general provisions, accrued beginning farmer incentives, accrued interest and unamortized loan discount.

[3] For loans and investments, yield represents the rate which discounts future cash receipts to the carrying amount. For debentures and notes payable, yield represents the rate which discounts the stream of future payments from the reporting date to the next interest rate renegotiation date.

Note 21 Related Party Transactions

Sufficient information is provided throughout the statements to disclose significant related party transactions the Corporation entered into, except for the following:

	2000	1999 (Restated)
	(in thousands)	
Interest expense – Province of Alberta	$46,822	$51,393
Administration expense – Province of Alberta	1,390	1,369
Investment income – Province of Alberta	171	585
Accrued interest receivable – Province of Alberta	–	218

Note 22 Subsequent Events

(a) Private Reinsurance
On April 1, 2000, the Corporation entered into a reinsurance agreement that provides for a net reduction of $6.5 million in crop reinsurance premiums for 2001.

(b) Crop Insurance
The Province of Alberta announced that the Corporation will provide a credit to all producers purchasing all-risk crop insurance for 2001. This measure will cost approximately $20 million and will result in a premium reduction of 30% of each producer's premiums, regardless of the coverage level chosen. The $20 million reduction will be reflected as a reduction to Premiums from insured persons, net but will not reduce provincial and federal government contributions to the program.

Note 23 Comparative Figures

The 1999 figures have been reclassified and restated where necessary to conform to 2000 presentation.

Agencies/Funds
Agriculture Financial Services Corporation – Schedule of Revenue, Expense and Surplus for the Year Ended March 31, 2000

Schedule 1
(in thousands)

	2000 Crop Insurance	1999 Crop Insurance (Restated)	2000 Farm Income Disaster	1999 Farm Income Disaster	2000 Beginning Farmer Lending	1999 Beginning Farmer Lending (Restated)	2000 Hail Insurance	1999 Hail Insurance (Restated)
Revenue								
Premiums from insured persons, net (Note 15)	$ 52,924	$ 55,495	$ –	$ –	$ –	$ –	$13,639	$15,334
Interest (Note 16)	345	369	23	22	44,367	45,067	115	136
Contribution from Province of Alberta, net (Note 15)	50,121	57,853	132,062	(2,184)	10,758	11,855	–	–
Contribution from Government of Canada, net (Note 15)	50,121	48,133	102,569	60,000	–	–	–	–
Investment income	17,328	13,174	362	987	376	349	2,687	3,664
Fees and other income (Note 3 (c))	307	232	1,302	1,026	1,487	1,173	410	412
Amortization of loan discounts	–	–	–	–	638	1,377	–	–
	171,146	175,256	236,318	59,851	57,626	59,821	16,851	19,546
Expense								
Indemnities (Note 15)	57,221	103,258	231,413	56,127	–	–	10,888	11,541
Interest	–	–	–	–	41,015	45,345	–	–
Administration, Schedule 2 (Note 3(c))	18,477	15,895	4,905	3,729	8,490	8,147	1,667	1,639
Farm loan incentives	–	–	–	–	4,319	3,856	–	–
Selling Commissions	–	–	–	–	–	–	1,611	1,704
Provision for doubtful accounts and for losses (Note 18)	(20)	173	–	–	3,802	814	26	43
	75,678	119,326	236,318	59,856	57,626	58,162	14,192	14,927
Excess (deficiency) of revenue over expense before recoveries	95,468	55,930	–	(5)	–	1,659	2,659	4,619
Recoverable from Government of Canada	–	–	–	–	–	–	–	–
Recoverable from Province of Alberta	–	–	–	–	–	–	–	–
	95,468	55,930	–	(5)	–	1,659	2,659	4,619
Surplus (deficit) for the year	252,199	196,269	–	5	–	(1,659)	57,508	52,889
Surplus (deficit) at beginning of year	$347,667	$252,199	$ –	$ –	$ –	$ –	$60,167	$57,508
Surplus at end of year								

Agencies/Funds – continued
Agriculture Financial Services Corporation – Schedule of Revenue, Expense and Surplus for the Year Ended March 31, 2000

Schedule 1 – continued
(in thousands)

	2000 Commercial Lending	1999 Commercial Lending (Restated)	2000 Wildlife Compensation	1999 Wildlife Compensation (Restated)	2000 Other	1999 Other (Restated)	2000 Total	1999 Total (Restated)
Revenue								
Premiums from insured persons, net (Note 15)	$ –	$ –	$ –	$ –	$ –	$ –	$ 66,563	$ 70,829
Interest (Note 16)	1,573	1,406	–	–	4,223	2,869	50,646	49,869
Contribution from Province of Alberta, net (Note 15)	4,137	3,506	1,378	289	3,960	(408)	202,416	70,911
Contribution from Government of Canada, net (Note 15)	43	93	818	26	18	37	153,569	108,289
Investment income	8	17	32	96	119	121	20,912	18,408
Fees and other income (Note 3 (c))	465	562	24	25	469	539	4,464	3,969
Amortization of loan discounts	342	540	–	–	101	224	1,081	2,141
	6,568	6,124	2,252	436	8,890	3,382	499,651	324,416
Expense								
Indemnities (Note 15)	–	–	2,065	302	137	64	301,724	171,292
Interest	2,160	2,195	–	–	3,647	3,903	46,822	51,443
Administration, Schedule 2 (Note 3(c))	3,018	2,807	187	134	2,643	1,916	39,387	34,267
Farm loan incentives	–	–	–	–	1,318	2	5,637	3,858
Selling Commissions	–	–	–	–	–	–	1,611	1,704
Provision for doubtful accounts and for losses (Note 18)	1,390	108	–	–	1,196	(1,533)	6,394	(395)
	6,568	5,110	2,252	436	8,941	4,352	401,575	262,169
Excess (deficiency) of revenue over expense before recoveries	–	1,014	–	–	(51)	(970)	98,076	62,247
Recoverable from Government of Canada	–	–	–	–	21	1	21	1
Recoverable from Province of Alberta	–	–	–	–	30	1	30	1
	–	–	–	–	51	2	51	2
	–	1,014	–	–	–	(968)	98,127	62,249
Surplus (deficit) for the year	–	(1,014)	–	–	–	968	309,707	247,458
Surplus (deficit) at beginning of year	$ –	$ –	$ –	$ –	$ –	$ –	$407,834	$309,707
Surplus at end of year								

Agriculture Financial Services Corporation – Schedule of Administration Expense for the Year Ended March 31, 2000

Schedule 2
(in thousands)

	2000	1999 (Restated)
Salaries and benefits (Note 17)	$19,353	$17,269
Contracted services	3,954	3,527
Adjusters' wages and benefits	3,412	2,458
Amortization of capital assets	2,536	1,117
Office accommodation costs	2,494	2,066
Travel and automobile	2,473	2,449
Data processing	1,133	1,000
Stationery and supplies	1,027	904
Telecommunications	692	859
Advertising	482	395
Equipment, rental and maintenance	433	735
Professional services	404	362
Training, meetings, seminars, conferences	294	256
Directors' fees and expenses	292	232
Postage and freight	226	166
Insurance	88	74
Grain grading	43	50
Collection commissions	39	327
Bank charges	12	21
	$39,387	$34,267

Agriculture Financial Services Corporation – Schedule of Salaries and Benefits for the Year Ended March 31, 2000

Schedule 3
(in thousands)

	2000			1999
	Salary and Wages[1]	Benefits and Allowances[2]	Total[3]	Total[3] (Restated)
Chair	$ 48	$ –	$ 48	$ 41
Board members	150	4	154	132
President and Managing Director	122	37	159	148
Vice President, Field Operations	107	27	134	128
Vice President, Finance and Administration	107	24	131	125
Vice President, Research, Information and Development	107	23	130	124
Vice President, Information Technology and Chief Information Officer	36	9	45[4]	–

(1) Salary and wages are fees for Chair and Board members and regular base pay for employees.

(2) Benefits and allowances include employer's share of all employee benefits, including health care, flexible health, dental and vision care allowance, group life insurance, pensions, employment insurance, accidental death/dismemberment and long-term disability insurance, workers' compensation, professional memberships and vacation payouts. No amount is included in benefits and allowances for an automobile provided to the President and Managing Director.

(3) Salary and benefits total for 1999 has been restated to include an achievement bonus for the year. Figures for 2000 do not include an achievement bonus because the amount of the bonus for each employee has not been determined.

(4) Employment commenced on November 22, 1999. Salary and benefits are for the period November 22, 1999 to March 31, 2000.

AUDITOR GENERAL *Alberta*

AUDITOR'S REPORT

To the Board of Directors of
Alberta Opportunity Company

I have audited the balance sheet of Alberta Opportunity Company as at March 31, 2000 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine
FCA
Auditor General

Edmonton, Alberta
May 3, 2000

Balance Sheet as at March 31, 2000

(in thousands)

	2000	1999
Assets		
Cash	$ 1,246	$ 6,078
Accounts receivable	147	155
Loans receivable *(Note 4)*	116,976	106,802
Property held for sale *(Note 6)*	245	40
Deferred charges	454	645
Capital assets *(Note 7)*	1,113	1,071
	$120,181	**$114,791**
Liabilities and Retained Earnings		
Accounts payable and accrued expenses	$1,872	$1,600
Notes payable *(Note 8)*	86,903	86,380
	88,775	87,980
Retained earnings	31,406	26,811
	$120,181	**$114,791**

The accompanying notes are an integral part of these financial statements.

Statement of Income and Retained Earnings for the Year Ended March 31, 2000

(in thousands)

	2000 Budget (Note 15)	2000 Actual	1999 Actual
Net Interest Income			
Interest income	$9,563	$11,273	$10,396
Interest expense	4,569	4,718	4,536
	4,994	**6,555**	5,860
Net Interest Income After Charge for Losses			
Charge for loan losses and losses on realization *(Notes 5 and 6)*	4,021	2,256	717
	973	**4,299**	5,143
Other Income			
Application and processing fees	515	583	558
Grant from the Province of Alberta for the assistance of small business	5,447	5,575	5,521
	5,962	**6,158**	6,079
Non-Interest Expense			
Operations *(Note 10)*	6,388	5,862	5,679
Net Income for the year	**$ 547**	**$ 4,595**	**$ 5,543**
Retained Earnings			
Beginning of year, as previously reported		$26,811	$20,760
Accounting change *(Note 3)*		–	508
As restated		26,811	21,268
Net income		4,595	5,543
Retained earnings, end of year		**$31,406**	**$26,811**

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows for the Year Ended March 31, 2000

(in thousands)

	2000	1999
Operating Activities		
Net income for the year	$ 4,595	$ 5,543
Recoveries of loans written off	449	647
Items not affecting cash –		
Charge for loan losses and losses on realization	2,256	717
Amortization of capital assets	239	193
Amortization of note discounts	975	829
Net change in other assets and other liabilities	(106)	10
Cash flows from operating activities	**8,408**	7,939
Investing Activities		
Loans disbursed	(38,969)	(37,462)
Proceeds from repayment of loans	26,434	23,199
Payment of called guarantees	(140)	(365)
Acquisition of property (net of sale proceeds)	(38)	48
Purchase of capital assets (net of sale proceeds)	(266)	(400)
Cash flows used in investing activities	**(12,979)**	(14,980)
Financing Activities		
Proceeds of notes	19,163	35,602
Repayment of notes	(19,424)	(21,806)
Repayment of debentures	–	(5,977)
Cash flows from (used in) financing activities	**(261)**	7,819
Net (decrease) increase in cash	(4,832)	778
Cash at beginning of year	6,078	5,300
Cash at end of year	**$ 1,246**	**$ 6,078**
Supplementary cash flow information –		
Interest paid during the year	$ 4,470	$ 4,181

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements March 31, 2000

Note 1 Authority and Purpose

Alberta Opportunity Company operates under the authority of the Alberta Opportunity Fund Act, Chapter A-34, Revised Statutes of Alberta 1980, as amended.

The purpose of the Company is to provide financial assistance and guidance for the development of Alberta business. Priority is given to smaller businesses in rural communities which, although viable, are unable to obtain financing from conventional institutions. Priority is also given to Alberta-owned businesses which will create jobs, are introducing improvements in productivity or technology, or have export or tourism potential.

The Province of Alberta maintains the financial viability of the Company by granting money appropriated for this purpose.

Note 2 Significant Accounting Policies

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The following paragraphs describe the significant accounting policies.

Deferred Charges
Deferred discounts and issue costs arising on the issue of notes payable are amortized on a straight-line basis over the term to maturity and charged to interest expense.

Property Held for Sale
Property held for sale is valued at the lower of cost and estimated net realizable value. Operating costs less rental revenues are added to the cost of the properties. Changes in the allowance for losses on realization are reflected in income.

Loans Receivable
Interest revenue is accrued on loans until such time as a loan is classified as impaired. Interest income is not recognized on impaired loans until such time as the charges for loan impairment have been reversed.

A loan is classified as impaired when, in management's opinion, there has been a deterioration in credit quality to the extent that there is reasonable doubt as to the timely collection of some portion of principal and interest. A loan where payment of interest is contractually past due 60 days is classified as impaired unless there is no reasonable doubt as to the collectability of all interest and principal.

Loans receivable are stated net of an allowance for loan losses. The allowance for loan losses represents Management's best estimate of probable losses on loans outstanding. The allowance has a specific and a general component. The specific allowance is established following a detailed review on a loan-by-loan basis wherein the discounted future cash flows and the fair value of the security underlying the loan are determined. The specific allowance reduces the carrying value of the impaired loans to their estimated realizable values. The general allowance recognizes that not all credit losses can be specifically identified on a loan-by-loan basis. The general allowance is determined by historical trends in loss experience and the current portfolio profile together with management's evaluation of other existing conditions at the balance sheet date. Changes in the allowance for loan losses are reflected in income.

Capital Assets
Capital assets are carried at cost less accumulated amortization. Amortization is calculated using the straight-line basis over the estimated useful lives of the assets as follows:

Furniture and office equipment	15%
Computer equipment and software	20%
Leasehold improvements	term of each lease

Pensions
The Company participates in multiemployer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for service relating to prior years.

Operating Grant
The grant from the Province of Alberta is recorded as revenue in the year for which it is approved.

Note 3 Accounting Change

The Company has changed the way it accounts for its participation in multiemployer pension plans to a defined contribution basis as a result of adopting the Canadian Institute of Chartered Accountants Recommendations on Employee Future Benefits. This change in accounting policy has been applied retroactively with restatement of comparative amounts. As a result of this change, retained earnings as of April 1, 1998, have been increased by $508,000. As at March 31, 1999, pension liabilities have decreased and retained earnings have increased by $338,000. Pension expenses have increased by $170,000 for the year ended March 31, 1999, as a result of this change.

Note 4 Loans Receivable

	2000	1999
	(in thousands)	
Loans and accrued interest receivable	$116,296	$108,168
Impaired loans	11,857	8,386
	128,153	116,554
Less allowance for loan losses (Note 5)		
Specific allowance	4,200	3,265
General allowance	6,977	6,487
	11,177	9,752
	$116,976	$106,802

Loans are secured by general security agreements, land mortgages, debentures and guarantees. Loans generate a weighted average interest return of 9.1% (9.1% in 1999).

	Term to Maturity [a]			2000	1999
	Within 1 Year	1 to 5 Years	Not Interest Rate Sensitive [b]	Total	Total
			(in thousands)		
Loans	$18,697	$94,330	$3,949	$116,976	$106,802
Yield[c]	8.90%	9.88%		9.72%	9.44%

[a] Term to maturity reflects the period of time until a loan matures or where an interest rate is renegotiated, whichever is shorter.

[b] Includes net impaired loans, expired loans, and general provisions.

[c] Yield represents the rate which discounts future cash receipts to the carrying amount.

Note 5 Allowance for Loan Losses

	2000	1999
	(in thousands)	
Allowance, beginning of year	$ 9,752	$8,882
Charge for loan losses	2,102	669
Write-offs	(1,126)	(446)
Recoveries of amounts previously written off	449	647
Allowance, end of year	$11,177	$9,752

Note 6 Property Held for Sale

	2000	1999
	(in thousands)	
Cost	$948	$589
Less allowance for losses on realization		
Allowance, beginning of year	549	545
Charge for losses on realization	154	48
Reversal on sale	–	(44)
Allowance, end of year	703	549
	$245	$ 40

Note 7 Capital Assets

	Cost	2000 Accumulated Amortization	2000 Net Book Value	1999 Net Book Value
		(in thousands)		
Equipment and software	$2,156	$1,062	$1,094	$1,039
Leasehold improvements	150	131	19	32
	$2,306	$1,193	$1,113	$1,071

Equipment and software includes approximately $287,500 (1999-$262,000) in software at cost which is not being amortized due to being under development.

Note 8 Notes Payable

Notes are payable to the Province of Alberta.

Series	Maturity Date	Interest Rate	2000	1999
			(in thousands)	
Note 001	February 15, 2001	5.65%	$ 3,891	$ 7,915
Note 002	March 29, 2001	6.75%	8,000	8,000
Note 005	March 27, 2002	5.44%	13,250	13,250
Note 008	September 30, 2002	5.00%	12,240	12,240
Note 013	March 31, 2003	5.00%	14,200	14,200
Note 015	December 1, 2003	5.10%	10,000	10,000
Note 017	December 16,1999	Discount note – 4.80% yield	–	7,000
Note 018	March 27, 2000	Discount note – 5.00% yield	–	8,400
Note 019	March 30, 2004	5.30%	6,000	6,000
Note 020	December 14, 2000	Discount note – 5.81% yield	9,600	–
Note 021	March 26, 2001	Discount note – 6.00% yield	9,000	–
Note 022	April 12, 2000	Discount note – 5.15% yield	1,600	–
			87,781	87,005
Less unamortized discounts			878	625
			$86,903	$86,380

Note 8 continued

Scheduled principal repayments are as follows:

	2000 *(in thousands)*
2001	$31,213
2002	13,250
2003	26,440
2004	16,000
	$86,903

	Term to Maturity [a]			
	Within 1 Year	1 to 4 Years	2000 Total	1999 Total
		(in thousands)		
Notes payable	$31,213	$55,690	$86,903	$86,380
Yield[b]	5.95%	5.23%	5.33%	5.30%

[a] Term to maturity reflects the period of time until the maturity date of the notes.

[b] Yield represents the rate which discounts the stream of future payments from the reporting date to the maturity date.

Note 9 Employee Future Benefits

The Company participates in the multiemployer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Company also participates in the multiemployer Supplementary Retirement Plan for Public Service Managers established by the government effective July 1, 1999. The expense for these pension plans is equivalent to the annual contributions of $244,000 for the year ending March 31, 2000 (1999-$219,700).

At December 31, 1999, the Management Employees Pension Plan reported a surplus of $46,019,000 (1998-$4,355,000) and the Public Service Pension Plan reported a surplus of $517,020,000 (1998-$406,445,000). At December 31, 1999, the Supplementary Retirement Plan for Public Service Managers had a surplus of $33,000.

Note 10 Operations

	2000	1999
	(in thousands)	
Salaries and benefits	$3,828	$3,816
Communications	559	503
Occupancy	471	452
Legal and other fees	257	311
Amortization of capital assets	252	196
Board of Directors fees	50	53
Other	445	348
	$5,862	$5,679

Note 11 Salary and Benefits Disclosure

	Salary (a)	2000 Benefits (b)	Total	1999 Total
		(in thousands)		
Chairman of the Board	$ 9	$ –	$ 9	$ 6
President and CEO[c]	137	25	162	149
Regional Vice President, North	105	19	124	116
Regional Vice President, South	94	15	109	123
Chief Financial Officer	88	24	112	98
Manager, Corporate Development	85	4	89	90

(a) Salary includes regular base pay, bonuses and Board fees.

(b) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, short-term disability plan, professional memberships and vacation payouts.

(c) Automobile provided, no amount included for benefits.

Note 12 Financial Instruments

Fair Values

Estimated fair value approximates amounts at which financial instruments could be exchanged in an arm's length transaction between willing parties who are under no compulsion to act. Many of the Company's financial instruments lack an available trading market, so fair values are based on estimates using present value techniques which are significantly affected by assumptions concerning the timing of future cash flows and discount rates. These estimates are subjective in nature and involve uncertainties and matters of judgment and, therefore, the fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

The Company has determined the fair value of its financial instruments as follows:

(a) Cash, accounts receivable, accounts payable and accrued expenses:

The carrying amount on the balance sheet approximates fair value because of the short-term nature of these instruments.

(b) Loans receivable:

The estimated fair value of loans is determined by discounting the expected future cash flows of these loans at current interest rates for developmental loans with similar terms and credit risks.

	2000		1999	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
		(in thousands)		
Loans	$116,976	$113,624	$106,802	$107,648

(c) Notes payable:

The estimated fair values of the Company's debt instruments are as follows:

	2000		1999	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
		(in thousands)		
Notes payable	$86,903	$85,296	$86,380	$86,470

Note 12 continued

Credit Risk Management
Credit risk arises from the potential for borrowers to default on their contractual loan obligations. Credit exposure on the Company's loan portfolio is managed through due diligence and account administration. To minimize the credit risk associated with the loans the Company requires security agreements and personal guarantees on all loans.

Interest Rate Risk Management
The Company manages interest rate risk by borrowing a mix of short-term and long-term debt through the Province of Alberta at fixed interest rates and terms designed to match the average terms of the Company's loan portfolio.

Cash is deposited in the Province of Alberta's Consolidated Cash Investment Trust Fund which is managed with the objective of providing a competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

Note 13 Contingent Liabilities

Guarantees of Bank Loans
The Company is contingently liable as a guarantor of bank operating lines of credit as follows:

	2000	1999
	(in thousands)	
Guarantees	$2,118	$1,057
Export guarantees	1,360	2,096
	$3,478	$3,153

Legal Actions
There are claims against the Company totalling approximately $16,947,000. The Company considers that a valid defence exists in every instance and no material loss is anticipated.

General
In the event that the Company incurs a loss on the foregoing matters, the loss will be accounted for as a charge to income in the year that the loss is determined.

Note 14 Commitments

Unimplemented Authorizations

	2000	1999
	(in thousands)	
Loans	$9,275	$10,059
Guarantees	$ 990	$ 300
Export guarantees	345	410
	$1,335	$ 710

Note 14 continued

Operating Leases

The Company has obligations under long-term, non-cancellable operating leases for premises. These leases generally have five year terms, include five year renewal options, and provide for payment of operating expenses and real estate taxes in excess of the amounts established at the commencement of the leases. The future minimum lease payments and estimated related costs for each of the next five years are as follows:

	2000 *(in thousands)*
2001	$ 446
2002	423
2003	226
2004	113
2005	56
	$1,264

Note 15 Budget

The 2000 budget was approved by Management on January 18, 1999 and is presented for comparison with the 2000 actual figures.

Note 16 Comparative Figures

Certain 1999 figures have been reclassified where necessary to conform to 2000 presentation.

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Members of the
Alberta Dairy Control Board

I have audited the statement of financial position of the Alberta Dairy Control Board as at March 31, 2000 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Board is required to follow the corporate government accounting policies and reporting practices established by Alberta Treasury, including the following policy that is an exception from generally accepted accounting principles. As disclosed in Note 8, accommodation and certain other administration costs incurred by government in the operation of the Board have not been included in the Board's expenses. These costs, estimated at $46,500 for accommodation costs only, are recorded by the government departments that paid the expenses on behalf of the Board.

In my opinion, except for the effects of the failure to record certain costs as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2000 and the results of its operations and the cash flows for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine
FCA
Auditor General

Edmonton, Alberta
June 4, 2000

Statement of Financial Position as at March 31, 2000

	2000 Budget (Note 16)	2000 Actual	1999 Actual (Restated)
Assets			
Current –			
Cash *(Note 3)*	$2,300,000	$4,479,443	$4,355,278
Due from processors, producers and others *(Note 4)*	2,992,000	2,075,579	3,538,877
Prepaid expenses		6,000	5,000
	5,292,000	**6,561,022**	7,899,155
Capital assets *(Note 5)*	86,582	275,850	66,025
	$5,378,582	**$6,836,872**	**$7,965,180**
Liabilities and Net Assets			
Current –			
Due to producers	$ 160,000	$ 17,150	$ 190,600
Accounts payable	225,801	227,622	167,842
Deferred contributions *(Note 6)*	4,000,000	5,589,929	6,584,675
	4,385,801	**5,834,701**	6,943,117
Pension liability *(Note 7 and 15)*	60,000	–	–
	4,445,801	**5,834,701**	6,943,117
Net assets	932,781	1,002,171	1,022,063
	$5,378,582	**$6,836,872**	**$7,965,180**

The accompanying notes and schedules are part of these financial statements.

Statement of Operations for the Year Ended March 31, 2000

	2000 Budget (Note 16)	2000 Actual	1999 Actual (Restated)
Revenue			
Producer assessments	$ 432,000	$ 559,068	$ 437,336
Processor assessments	216,000	279,469	218,552
Feta cheese assessment	–	–	119,032
Government contribution to administration costs *(Note 8)*	164,000	180,950	162,000
Quota exchange receipts	1,000,000	51,368	612,067
Interest income	42,000	46,940	37,568
Other income	2,000	6,032	58,586
Restricted revenue *(Note 6)*			
Milk price equalization pool	40,155,000	56,298,695	53,228,989
Milk promotion assessment	5,500,000	5,700,800	4,884,578
Alberta Milk Producers membership assessment	840,000	767,046	649,706
Nutrition education assessment	365,000	384,324	329,298
	48,716,000	**64,274,692**	60,737,712

continued

continued

Statement of Operations for the Year Ended March 31, 2000

	2000 Budget (Note 16)	2000 Actual	1999 Actual (Restated)
Expense			
Salaries and benefits *(Note 10)*	614,000	712,440	619,197
Travel and conference fees	137,000	174,584	152,603
Legal fees	–	–	3,975
General office	61,000	71,223	60,569
Data processing	25,000	60,095	88,981
Quota exchange payment	1,000,000	51,368	612,067
Amortization of capital assets	19,000	43,339	28,683
Grants	30,000	30,670	28,865
Restricted expenses *(Note 6)*			
Milk price equalization pool	40,155,000	56,298,695	53,228,989
Alberta Milk Producers – promotion	5,500,000	5,700,800	4,884,578
– membership	840,000	756,099	649,706
Dairy Nutrition Council of Alberta	365,000	395,271	329,298
	48,746,000	**64,294,584**	60,687,511
Excess/(deficiency) of revenue over expense for the year	**$ (30,000)**	**$ (19,892)**	**$ 50,201**

The accompanying notes and schedules are part of these financial statements.

Statement of Changes in Net Assets for the Year Ended March 31, 2000

	2000				1999
	Invested in Capital Assets	Restricted for Quota Exchange (Note 11)	Unrestricted	Total	Total (Restated)
Balance at beginning of year	$ 66,025	$11,743	$944,295	$1,022,063	$ 971,862
Excess/(deficiency) of revenue over expense for the year	–	–	(19,892)	(19,892)	50,201
Purchase of capital assets	253,164	–	(253,164)	–	–
Amortization of capital assets	(43,339)		43,339	–	–
Balance at end of year	**$275,850**	**$11,743**	**$714,578**	**$1,002,171**	$1,022,063

The accompanying notes and schedules are part of these financial statements.

Statement of Cash Flows for the Year Ended March 31, 2000

	2000 Budget (Note 16)	2000 Actual	1999 Actual (Restated)
Operating Activities			
Excess/(deficiency) of revenue over expense for the year	$ (30,000)	$ (19,892)	$50,201
Add (deduct) non-cash items –			
Amortization of capital assets	19,000	43,339	28,683
Decrease in pension liability	718	–	–
	(10,282)	**23,447**	78,884
Net change in non-cash operating working capital items *(Note 13)*	(2,005,439)	353,882	(380,396)
Net cash (used)/provided by operating activities	**(2,015,721)**	**377,329**	(301,512)
Investing Activities –			
Purchase of capital assets	**(39,557)**	**(253,164)**	(12,126)
Net (decrease)/increase in cash	**(2,055,278)**	**124,165**	**(313,638)**
Cash at beginning of year	4,355,278	4,355,278	4,668,916
Cash at end of year	**$2,300,000**	**$4,479,443**	**$4,355,278**

The accompanying notes and schedules are part of these financial statements.

Notes to the Financial Statements March 31, 2000

Note 1 Authority and Purpose

The Alberta Dairy Control Board (the "Board") operates under the authority of the Dairy Board Act, Chapter D-1, Revised Statutes of Alberta 1980, as amended.

The Board was established to control and regulate the sale of milk in Alberta. Its responsibilities cover all three sectors of the dairy industry including fluid milk, industrial milk and cream.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Capital Assets
Capital assets are recorded at cost less accumulated amortization.

They are amortized over the estimated useful lives of the assets on a declining balance basis at the following rates:

Software development	30%
Computer hardware and equipment	20 - 30%

(b) Pension
The Board participates in multi-employer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for service relating to prior years.

(c) Revenue Recognition
Funds collected in the operation of price equalization pools or under various agreements are restricted contributions subject to externally imposed stipulations that specify the purpose for which the funds are to be used. Restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Restricted contributions received for future expenses are deferred until that future period when they are transferred to revenue.

The deferred contributions balance reported on the statement of financial position represents the amount of restricted contributions that are related to expenses of future periods.

(d) Valuation of Financial Assets and Liabilities
Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of Due from processors, producers and others, Prepaid expenses, Due to producers, Accounts payable and Deferred contributions are estimated to approximate their book values.

(e) Due from Processors, Producers and Others
Section 26(5) of Dairy Board regulations allows the Board to "net out all amounts payable among processors, producers, and the Dairy Board." As a result, amounts Due from processors, producers and others have been netted against amounts owing to processors, producers and others.

Note 3 Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (the "Fund") of the Province of Alberta. The Fund is a demand account managed by Alberta Treasury with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is composed of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. Interest earned on cash accounts is recorded as revenue of the Board.

Note 4 Due from Processors, Producers and Others

	2000	1999
Assessments and equalization	$2,053,616	$3,322,789
Quota exchange	–	174,474
Department of Agriculture, Food and Rural Development	16,950	31,000
Others	5,013	10,614
	$2,075,579	$3,538,877

Any bad debts resulting from assessments and equalization amounts are recoverable by deduction from payments made by the Board to producers, processors and others under the terms of the National Milk Marketing Plan, the Western Milk Pooling Agreement, and other agreements (see Note 6).

Note 5 Capital Assets

	2000			1999
	Cost	Accumulated Amortization	Net	Net
Software development	$420,435	$191,158	$229,277	$20,188
Computer hardware & equipment	142,253	95,680	46,573	45,837
	$562,688	$286,838	$275,850	$66,025

Note 6 Deferred Contributions

Deferred contributions represent unspent contributions externally restricted for price equalization, milk promotion, Alberta Milk Producers Society membership and nutrition education purposes.

	2000	1999
Contributions received –		
Milk price equalization pool	$55,293,700	$51,833,922
Milk promotion	5,693,151	4,902,886
Alberta Milk Producers membership	785,459	622,589
Nutrition education	383,809	330,532
	62,156,119	57,689,929
Transferred to revenue –		
Milk price equalization pool	56,298,695	53,228,989
Milk promotion	5,700,800	4,884,578
Alberta Milk Producers membership	767,046	649,706
Nutrition education	384,324	329,298
	63,150,865	59,092,571
(Decrease) during the year	(994,746)	(1,402,642)
Deferred contributions at beginning of year	6,584,675	7,987,317
Deferred contributions at end of year	$ 5,589,929	$ 6,584,675
The balance consists of funds restricted for –		
Milk price equalization pool	$ 5,003,735	$ 6,008,730
Milk promotion	477,904	485,553
Alberta Milk Producers membership	76,071	57,658
Nutrition education	32,219	32,734
	$ 5,589,929	$ 6,584,675

Note 6 continued

Under Section 24 of the Dairy Board Regulation, the Board operates a price equalization pool whereby all revenues generated from the processing and sale of milk within Alberta are shared by all Alberta producers in accordance to their quota holdings.

Effective August 1, 1995, the Board entered into an arrangement with the signatories of the National Milk Marketing Plan. This arrangement provides for the pooling of revenues from sales of milk components in special classes of milk used to service domestic and external markets. The Special Class Pool is administered by the Canadian Dairy Commission (CDC). Based on each province's monthly special class sales, the CDC will either distribute revenue or require a contribution to the national revenue pool.

Effective March 1,1997 four provinces, Alberta, British Columbia, Saskatchewan, and Manitoba, and the Canadian Dairy Commission entered into the Western Milk Pooling Agreement. The purpose of the agreement is to extend the pooling arrangements within each of the provinces so that all milk revenue is pooled among producers in all four provinces, as if the western provinces constituted a single market. Based on each province's monthly sales, the CDC will either distribute revenue or require a contribution to the Western Milk Pool.

The Board collects assessments for milk promotion, Alberta Milk Producers Society membership and nutrition education. Through agreement, funds are disbursed to Alberta Milk Producers and the Dairy Nutrition Council of Alberta to conduct the Board approved activities.

Note 7 Pensions

The Board participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension. The expense for these pension plans is equivalent to the annual contributions of $44,884 for the year ending March 31, 2000 (1999 - $44,064).

At December 31, 1999, the Management Employees Pension Plan reported a surplus of $46,019,000 (1998-$4,355,000) and the Public Service Pension Plan reported a surplus of $517,020,000 (1998-$406,445,000). At December 31, 1999, the Supplementary Retirement Plan for Public Service Managers had a surplus of $33,000.

Note 8 Related Party Transactions

Administration costs

In addition to a grant from the Department of Agriculture, Food and Rural Development of $180,950 (1999 $162,000), the Province of Alberta assumes the cost of the following:

- Administration services, including legal, audit, and personnel services; and
- Accommodation costs, including office space, basic utilities, repairs, maintenance, RITE telephone system, office furniture and certain office equipment. This cost has been estimated at $46,500 (1999 $55,000). These services have been provided by the Department of Infrastructure.

Note 9 Contingent Liability

During the year, a claim was made against the Board by a processor. The claim of $1,500,000 related to potential losses to the processor as a result of an alleged breach of contract and exemplary damages. A defence and counterclaim has been filed on behalf of the Board by Alberta Justice. The case is under court hearing and the outcome cannot be predicted with reasonable certainty at this stage. The resulting loss, if

Note 10 Salaries and Benefits

	2000				1999	
	Number of Individuals	Salaries[1]	Benefits and Allowances[2]	Total	Number of Individuals	Total
Chairman of the Board	1	$97,081	$15,825	$112,906	1	$109,398
Board Members	4	17,272	–	17,272	4	22,860
Policy Committee Members	8	1,764	–	1,764	8	1,890
Managing Director	1	76,565	12,806	89,371	1	94,016

(1) Salaries comprise of regular base pay, bonuses, and honoraria.

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, out of country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short term disability plan, professional memberships and tuition.

Note 11 Restrictions on Net Assets

The Board has internally restricted net assets on quota exchange transfers. These net assets will be used to cover any future quota exchange transaction deficiencies.

The last quota exchange transaction operated by the Board took place on July 22, 1999.

Note 12 Operating Lease Commitment

During the year, the Board entered into operating leases for certain office equipment. The minimum lease payments for the next five years are as follows:

2001	$4,800
2002	$1,700
2003	$1,300
2004	$Nil
2005	$Nil

Note 13 Net Change in Non-cash Working Capital

Net change in non-cash working capital comprises:

	2000	1999
Due from processors, producers and others	$1,463,298	$ 1,152,574
Prepaid expenses	(1,000)	–
Due to producers	(173,450)	(54,940)
Accounts payable	59,780	(75,388)
Deferred contributions	(994,746)	(1,402,642)
	$ 353,882	$ (380,396)

Note 14 Processor Security

The Board has on hand, letters of credit and bonds in the amount of $2,775,000 to minimize Board exposure to risk as a result of processor non-payment to the equalization fund.

Note 15 Change in Accounting Policy

The Board has changed the way it accounts for its participation in multi-employer pension plans to a defined contribution basis. This change in accounting policy has been applied retroactively with restatement of comparative amounts. As a result of this change, opening net assets as of April 1, 1998 have been increased by $78,866. As at March 31, 1999, pension liabilities have decreased by $59,282 and net assets have increased by $59,282. Pension expenses have increased by $19,584 for the year ended March 31, 1999, as a result of this change.

Note 16 Budget

The 1999-2000 budget was approved by the Board Members on July 15, 1998.

Note 17 Comparative Figures

Certain 1999 figures have been reclassified to conform to 2000 presentation.

Note 18 Approval of Financial Statements

These financial statements were approved by the Board Members.

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Minister of Agriculture, Food and Rural Development and the Provincial Treasurer

I have audited the statement of assets and fund equity of the Crop Reinsurance Fund of Alberta as at March 31, 2000 and the statement of revenue and fund equity for the year then ended. These financial statements are the responsibility of the management of the Fund. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2000 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine
FCA
Auditor General

Edmonton, Alberta
May 24, 2000

Statement of Assets and Fund Equity as at March 31, 2000

	2000	1999
Assets		
Due from Agriculture Financial Services Corporation	$53,528,214	$53,564,553
	$53,528,214	**$53,564,553**
Fund Equity		
Fund equity	$53,528,214	$53,564,553
	$53,528,214	**$53,564,553**

The accompanying notes are part of these financial statements.

Statement of Revenue and Fund Equity for the Year Ended March 31, 2000

	2000	1999
Revenue		
Adjustment to crop insurance premiums *(Note 5)*	$ (36,339)	$ (22,000)
	(36,339)	**(22,000)**
Fund equity at beginning of year	53,564,553	53,586,553
Fund equity at end of year	**$53,528,214**	**$53,564,553**

The accompanying notes are part of these financial statements.

Notes to the Financial Statements March 31, 2000

Note 1 Authority

The Crop Reinsurance Fund of Alberta (the Fund) operates under the authority of the Agriculture Financial Services Act, Statutes of Alberta. The Fund is administered by the Provincial Treasurer in accordance with the terms of the federal-provincial agreement entered into under the Act.

Note 2 Purpose

Each year, based on a formula in the Canada/Alberta Crop Insurance Agreement, an agreed portion of crop insurance premiums, collected by Agriculture Financial Services Corporation on behalf of the Fund, is set aside in the Fund. In years when indemnities exceed funds available from the Crop Insurance Fund, these funds are used to pay unsatisfied indemnities. In the event the Fund is in a deficit position, the deficit will be funded through future years' premiums.

Note 3 Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with generally accepted accounting principles. Other significant accounting policies are as follows:

(a) Revenues are reported on an accrual basis.

(b) The fair value of receivables is estimated to approximate their carrying amount.

(c) A statement of changes in financial position is not provided as disclosure in the statement of assets and fund equity and the statement of revenues and fund equity is considered to be adequate.

Note 4 Due from Agriculture Financial Services Corporation

The Fund is invested by Agriculture Financial Services Corporation on behalf of the province of Alberta.

Note 5 Adjustment to Crop Insurance Premiums

There were no contributions made to the Fund during the two years ended March 31, 2000 in accordance with the Canada-Alberta Crop Insurance Agreement. There was a change in a management estimate of premiums accrued which resulted in a $36,339 (1999 $22,000) adjustment to contributions by the Province of Alberta.

Note 6 Preparation of Financial Statements

These financial statements were approved by management.

Other Information

Summary of Financial Information

Statement of Remissions, Compromises and Write-Offs for the Year Ended March 31, 2000

The following statement has been prepared pursuant to section 28 of the Financial Administration Act. The statement includes all remissions, compromises and write-offs made or approved during the fiscal year.

Write-offs	
Departmental accounts receivable	$1,117,221
Agriculture Financial Services Corporation	3,905,581
Total remissions, compromises and write-offs	**$5,022,802**

Statement of Guarantees and Indemnities Given by Provincial Corporations for the Year Ended March 31, 2000

Program/Borrower	Amount of Guarantee or Indemnity	Payments	Recoveries
Agriculture Financial Services Corporation	$46,050,657	$470,820	$34,602
Alberta Opportunity Company	3,307,500	138,620	900
Total guarantees and indemnities given	**$49,358,157**	**$609,440**	**$35,502**

Government Organization Changes - 1999-2000

This schedule gives a road map of the major program/entity changes as a result of the government reorganizations in 1999-2000. The left column identifies the ministries after the government reorganizations. Some ministries are new, merged or renamed. The center column identifies the major programs/entities in which there was a change in administration to the reorganized ministries. The right column identifies which ministry these programs/entities were located in before the government reorganizations.

Ministry	Program/Entity Changes	Previous Location
Agriculture, Food and Rural Development	Alberta Opportunity Company	Economic Development
Children's Services (new)	Social Support to Families With Children Family and Community Support Services Handicapped Children's Service and Daycare	former Family and Social Services
Community Development	Francophone Secretariat	rmer Intergovernmental and Aboriginal Affairs
	Protection for Persons in Care	former Family and Social Services
	Housing and Alberta Social Housing Corporation	Municipal Affairs
Economic Development	Foreign Agriculture Marketing	Agriculture, Food and Rural Development
Executive Council	Government Protocol	former Intergovernmental and Aboriginal Affairs
Gaming (new)	Community Lottery Grant Program	Community Development
	Lottery Fund and some Lottery Funded Programs Alberta Gaming and Liquor Commission	Economic Development
Government Services (new)	Consumer and Corporate Services and Registry Services	Municipal Affairs
	Regulatory Review	Treasury
Health and Wellness (formerly Health)	Alberta Alcohol and Drug Abuse Commission	Community Development
	Services to Persons with Development Disabilities	former Family and Social Services

Government Organization Changes – 1999-2000 – continued

Ministry	Program/Entity Changes	Previous Location
Human Resources and Employment (new)	Income Support to Individuals and Families Employment and Training Support Supports to Dependent Adults	former Family and Social Services
	Workplace Services Labor Relations	former Labor
	Personnel Administration Office Career Development Labor Market Development Agreement	former Advanced Education and Career Development
Infrastructure (merger of Public Works, Supply and Services and Transportation and Utilities)	School and Post-Secondary Facilities	former Education and Advanced Education and Career Development
Innovation and Science (formerly Science, Research and Information Technology)	Alberta Agricultural Research Institute	Agriculture, Food and Rural Development
	Information Technology Services	former Public Works, Supply and Services
	University Research Excellence University Intellectual Infrastructure (now in University Research Investments)	former Advanced Education and Career Development
	Technology Commercialization Initiatives	Economic Development
Justice	Mediation Services	former Family and Social Services
Municipal Affairs	Safety Services Freedom of Information and Protection of Privacy	former Labor
	Disaster Services	former Transportation and Utilities
Resource Development (formerly Energy)	Northern Development	Executive Council
	Forest Products Development	Economic Development and Environment
Treasury	Employment Pensions	former Labor

Other Renamed or Merged Ministries

Environment (formerly Environmental Protection)

International and Intergovernmental Relations (formerly Intergovernmental and Aboriginal Affairs)

Learning (merger of Education and Advanced Education and Career Development)

Alphabetical List of Entities' Financial Information in Ministry Annual Reports – Entities Included in the Consolidated Government Reporting Entity

Ministry, Department, Fund or Agency	Ministry Annual Report
Agriculture Financial Services Corporation	Agriculture, Food and Rural Development
Alberta Agricultural Research Institute	Innovation and Science
Alberta Alcohol and Drug Abuse Commission	Health and Wellness
Alberta Dairy Control Board	Agriculture, Food and Rural Development
Alberta Energy and Utilities Board	Resource Development
Alberta Foundation for the Arts	Community Development
Alberta Gaming and Liquor Commission	Gaming
Alberta Government Telephones Commission, The	Treasury
Alberta Heritage Foundation for Medical Research Endowment Fund	Treasury
Alberta Heritage Savings Trust Fund	Treasury
Alberta Heritage Scholarship Fund	Treasury
Alberta Historical Resources Foundation, The	Community Development
Alberta Informatics Circle of Research Excellence Inc.	Innovation and Science
Alberta Insurance Council	Treasury
Alberta Municipal Financing Corporation	Treasury
Alberta Oil Sands Technology and Research Authority	Innovation and Science
Alberta Opportunity Company	Agriculture, Food and Rural Development
Alberta Pensions Administration Corporation	Treasury
Alberta Petroleum Marketing Commission	Resource Development
Alberta Research Council Inc.	Innovation and Science
Alberta Risk Management Fund	Treasury
Alberta School Foundation Fund	Learning
Alberta Science, Research and Technology Authority	Innovation and Science
Alberta Securities Commission	Treasury
Alberta Social Housing Corporation	Community Development
Alberta Sport, Recreation, Parks and Wildlife Foundation	Community Development
Alberta Treasury Branches	Treasury
ATB Investment Services Inc.	Treasury
Awasak Child and Family Services Authority	Children's Services
Calgary Rocky View Child and Family Services Authority	Children's Services

Index of Government Agencies, Funds and Reporting Entities – continued

Ministry, Department, Fund or Agency	Ministry Annual Report
Child and Family Services Authority – Region 13	Children's Services
Child and Family Services Authority – Region 14	Children's Services
Credit Union Deposit Guarantee Corporation	Treasury
Crop Reinsurance Fund of Alberta	Agriculture, Food and Rural Development
Department of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Department of Children's Services	Children's Services
Department of Community Development	Community Development
Department of Environment	Environment
Department of Gaming	Gaming
Department of Health and Wellness	Health and Wellness
Department of Innovation and Science	Innovation and Science
Department of Justice	Justice
Department of Learning	Learning
Department of Resource Development	Resource Development
Department of Treasury	Treasury
Diamond Willow Child and Family Services Authority	Children's Services
Environmental Protection and Enhancement Fund	Environment
Gainers Inc.	Treasury
Government House Foundation, The	Community Development
Hearthstone Child and Family Services Authority	Children's Services
Historic Resources Fund	Community Development
Human Rights, Citizenship and Multiculturalism Education Fund	Community Development
Keystone Child and Family Services Authority	Children's Services
Lottery Fund	Gaming
Ma'Mowe Capital Region Child and Family Services Authority	Children's Services
Metis Settlements Child and Family Services Authority	Children's Services
Ministry of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Ministry of Children's Services	Children's Services
Ministry of Community Development	Community Development

Index of Government Agencies, Funds and Reporting Entities – continued

Ministry, Department, Fund or Agency	Ministry Annual Report
Ministry of Economic Development[1]	Economic Development
Ministry of Environment	Environment
Ministry of Executive Council [1]	Executive Council
Ministry of Gaming	Gaming
Ministry of Government Services[1]	Government Services
Ministry of Health and Wellness	Health and Wellness
Ministry of Human Resources and Employment[1]	Human Resources and Employment
Ministry of Infrastructure[1]	Infrastructure
Ministry of Innovation and Science	Innovation and Science
Ministry of International and Intergovernmental Relations[1]	International and Intergovernmental Relations
Ministry of Justice	Justice
Ministry of Learning	Learning
Ministry of Municipal Affairs[1]	Municipal Affairs
Ministry of Resource Development	Resource Development
Ministry of Treasury	Treasury
N.A. Properties (1994) Ltd.	Treasury
Natural Resources Conservation Board	Environment
Neegan Awas'sak Child and Family Services Authority	Children's Services
Persons with Developmental Disabilities Calgary Region Community Board	Health and Wellness
Persons with Developmental Disabilities Central Alberta Community Board	Health and Wellness
Persons with Developmental Disabilities Edmonton Community Board	Health and Wellness
Persons with Developmental Disabilities Foundation	Health and Wellness
Persons with Developmental Disabilities Michener Centre Facility Board	Health and Wellness
Persons with Developmental Disabilities Northeast Alberta Community Board	Health and Wellness
Persons with Developmental Disabilities Northwest Alberta Community Board	Health and Wellness
Persons with Developmental Disabilities Provincial Board	Health and Wellness
Persons with Developmental Disabilities South Alberta Community Board	Health and Wellness
Ribstone Child and Family Services Authority	Children's Services

[1] Ministry includes only the department so separate department financial statements are not necessary.

Ministry, Department, Fund or Agency	Ministry Annual Report
S C Financial Ltd.	Treasury
Sakaigun Asky Child and Family Services Authority	Children's Services
Sakaw Askiy Child and Family Services Authority	Children's Services
Silver Birch Child and Family Services Authority	Children's Services
Southeast Alberta Child and Family Services Authority	Children's Services
Sun Country Child and Family Services Authority	Children's Services
Supplementary Retirement Plan Reserve Fund	Treasury
Victims of Crime Fund	Justice
West Yellowhead Child and Family Services Authority	Children's Services
Wild Rose Foundation, The	Community Development
Windsong Child and Family Services Authority	Children's Services

Alphabetical List of Entities' Financial Information in Ministry Annual Reports – Entities Not Included in the Consolidated Government Reporting Entity

Fund or Agency	Ministry Annual Report
Alberta Cancer Board	Health and Wellness
Alberta Heritage Foundation for Medical Research	Innovation and Science
Alberta Mental Health Board	Health and Wellness
Alberta Teachers' Retirement Fund Board	Learning
Improvement Districts Trust Account	Municipal Affairs
Local Authorities Pension Plan	Treasury
Long-Term Disability Income Continuance Plan – Bargaining Unit	Human Resources and Employment
Long-Term Disability Income Continuance Plan – Management, Opted Out and Excluded	Human Resources and Employment
Management Employees Pension Plan	Treasury
Provincial Judges and Masters in Chambers Pension Plan	Treasury
Public Post Secondary Institutions	Learning
Public Service Management (Closed Membership) Pension Plan	Treasury
Public Service Pension Plan	Treasury
Regional Health Authorities	Health and Wellness
School Boards	Learning
Special Areas Trust Account	Municipal Affairs
Special Forces Pension Plan	Treasury
Universities Academic Pension Plan	Treasury
Workers' Compensation Board	Human Resources and Employment

Acts Alberta Agriculture, Food and Rural Development is responsible for as at March 31, 2000

Agricultural Operation Practices Act
Agricultural Pests Act
Agricultural Service Board Act
Agricultural Societies Act
Agriculture Financial Services Act
Animal Protection Act
Bee Act
Brand Act
Crop Liens Priorities Act
Crop Payments Act
Dairy Board Act
Dairy Industry Act
Expropriation Act
Farm Credit Stability Act (jointly with Alberta Treasury)
Farm Implement Act
Federal – Provincial Farm Assistance Act
Feeder Associations Guarantee Act
Fuel Tax Act (jointly with Alberta Treasury)
Fur Farms Act
Government Organization Act (jointly with other Ministries)
Horned Cattle Purchases Act
Irrigation Act
Line Fence Act
Livery Stable Keepers Act
Livestock and Livestock Products Act
Livestock Diseases Act
Livestock Identification and Brand Inspection Act
Livestock Industry Diversification Act
Marketing of Agricultural Products Act
Meat Inspection Act
Public Lands Act – parts: (1-2, 3-6) (jointly with Alberta Environment)
Soil Conservation Act
Stray Animals Act
Surface Rights Act
Universities Act (Section 52)
Vegetable Sales (Alberta) Act
Weed Control Act
Wheat Board Money Trust Act
Women's Institute Act

Agricultural Statistics for Alberta

Economic Indicators

Gross Domestic Product (GDP)* [1]	1997r	1998p	1999
		$ Millions	
All industries	85,311	87,857	N/A
Agri-food industries	4,046	4,126	N/A
Primary agriculture	2,675	2,704	N/A
Food and beverage manufacturing industries	1,371	1,422	N/A

Labor Market [2]	1998r	1999
	Number or Persons	
Employment – all industries	1,515,400	1,553,300
Agri-food industries	112,000	101,500
Primary agriculture	91,600	82,500
Food and beverage manufacturing industries	20,400	19,000
Unemployment rate – all industries (per cent)	5.6%	5.7%
Primary agriculture (per cent)	1.9%	1.7%
Food and beverage manufacturing (per cent)	4.9%	5.8%

Alberta's Farm Capital Value on July 1st [2]	1998r	1999
	$ Thousands	
Land and buildings	31,359,974	32,882,814
Livestock and poultry	4,663,799	5,006,116
Implements and machinery	8,197,883	8,495,423
Total farm capital value	**44,221,656**	**46,384,403**

r - revised
p - preliminary
N/A - data not yet available
(1) Source: Alberta Treasury. Note: Data for the 1999 reference year will be released Fall – 2000.
(2) Source: Statistics Canada
Prepared by: Statistics and Data Development Unit, Alberta Agriculture, Food and Rural Development (AAFRD) (June 28, 2000)

Estimated Farm Cash Receipts for Alberta[1]

	1998[r]	1999[p]
	$ Thousands	
Wheat	871,941	964,983
Oats	36,784	23,270
Barley	199,614	177,244
CWB advances and deferments (net)	49,751	69,483
Rye	4,175	3,632
Flaxseed	7,863	5,373
Canola	881,378	601,714
Sugar beets	38,402	29,651
Potatoes	63,862	78,405
Vegetables	58,250	52,082
Floriculture and nursery	64,608	78,317
Other crops	244,386	242,525
Total crops (a)	2,521,014	**2,326,679**
Cattle and calves	2,748,077	3,042,296
Hogs	313,180	344,279
Sheep and lambs	12,300	12,692
Dairy products	311,460	327,063
Poultry	136,382	135,264
Eggs and hatcheries	37,406	37,470
Other livestock and products	88,505	85,700
Total livestock and livestock products (b)	3,647,310	**3,984,764**
Crop insurance payments	128,606	80,663
Other program payments[2]	112,501	156,949
Total program payments (c)	241,107	**237,612**
Total farm cash receipts (a+b+c)	**6,409,431**	**6,549,055**

[r] - revised
[p] - preliminary
(1) Statistics Canada estimates (in conjunction with Alberta Agriculture, Food and Rural Development)
(2) Includes federal and provincial income stabilization and supplementary payments

Farm Operating Expenses and Depreciation in Alberta [1] [2]

	1998r	1999p
	$ Thousands	
Property taxes	106,035	108,156
Cash and share rent	280,876	285,406
Cash wages and room and board	455,099	455,997
Interest payments	455,273	486,817
Machinery fuel and machinery repairs	737,248	759,365
Fertilizer	486,693	472,092
Pesticides	284,639	278,946
Crop and hail insurance	98,414	90,011
Commercial feed	765,572	704,326
Livestock and poultry purchases	655,581	912,984
Veterinary expenses and artificial insemination fees	111,723	115,075
Repairs to buildings and fences	135,374	138,081
Electricity and telephone	147,005	148,475
Heating fuel	41,205	49,858
Miscellaneous expenses	372,357	396,858
Operating expenses after rebates	5,133,094	**5,392,447**
Depreciation on buildings	156,718	164,328
Depreciation on machinery	796,007	826,490
Total depreciation	952,725	**990,818**
Total operating expenses and depreciation charges	**6,085,819**	**6,383,265**

r - revised
p - preliminary
(1) Source: Statistics Canada estimates (in conjunction with Alberta Agriculture, Food and Rural Development)
(2) Net of provincial or federal rebates.
Prepared by: Statistics and Data Development Unit, AAFRD (June 28, 2000)

Net Income of Alberta Farm Operators [1]

	1998r	1999p
	$ Thousands	
Total farm cash receipts	6,409,431	6,549,055
Total farm operating expenses after rebates	5,133,094	5,392,447
Net cash income	1,276,337	1,156,608
Income in kind	15,401	16,563
Depreciation charges	952,725	990,818
Realized net income	339,013	182,353
Value of inventory change	-9,572	263,838
Total net income	**329,441**	**446,191**

Alberta's Food and Beverage Sector [2]

	1997	1998r	1999p
		$ Thousands	
Estimated value of manufacturing shipments	7,323,783	7,549,387	7,815,550
Value added [3]	1,816,292	N/A	N/A
		Number	
Number of employees [3]	18,975	N/A	N/A
Number of establishments [3]	301	N/A	N/A

r - revised
p - preliminary
N/A - data not yet available
[1] Statistics Canada estimates (in conjunction with Alberta Agriculture, Food and Rural Development)
[2] Source: Statistics Canada
[3] Data for the 1998 reference year are tentatively scheduled for release end of 2000
Prepared by: Statistics and Data Development Unit, AAFRD (June 28, 2000)

Alberta International Agri-Food Exports

	1998[r]	1999[p]
Export Quantities	*Tonnes*	
Wheat	4,783,845	4,325,782
Barley	549,740	506,328
Canola seed	1,184,498	1,088,444
Beef and veal (incl. edible offal)	260,423	295,800
Pork (incl. edible offal)	33,042	41,955
	Number or Head	
Live cattle (incl. purebred)	574,996	393,787
Live hogs (incl. purebred)	684,079	590,873
Export Values	*$ Thousands*	
Wheat	1,075,983	905,705
Barley	109,991	95,624
Canola seed	495,235	384,824
Beef and veal (incl. edible offal)	940,945	1,225,634
Pork (incl. edible offal)	87,276	106,387
Live cattle (incl. purebred)	694,771	461,723
Live hogs (incl. purebred)	85,964	72,705
Total international agri-food exports	**4,923,456**	**4,590,669**

[r] - revised
[p] - preliminary
(1) Source: Alberta Agriculture, Food and Rural Development
Prepared by: Statistics and Data Development Unit, AAFRD (June 28, 2000)